

***SOL PLAATJE LOCAL MUNICIPALITY  
(NC091)***

***ADJUSTMENT BUDGET 2022/23***



***27 FEBRUARY 2023***

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### ANNEXURE A : B-SCHEDULES

### ANNEXURE B: ADJUSTED 2022/23 TOP LAYER SDBIP

#### Other supporting documents:

Summary of Observations and recommendations from National Treasury emanating from the 2022/23 Mid-year budget and performance engagement.

NC091\_Sol Plaatje\_2022/23 Proposed Stopping Letter in terms of Section 18 of 2022 DoRA

## **LIST OF ABBREVIATIONS AND ACRONYMS USED IN THE ADJUSTMENT BUDGET**

AGSA - Auditor-General South Africa

BTO - Budget and Treasury Office

CAPEX – Capital Expenditure

CFO - Chief Financial Officer

COGHSTA - Department of Co-operative Governance, Human Settlement and Traditional Affairs

DBSA - Development Bank of South Africa

DoRA - Division of Revenue Act

DPW – Department of Public Works

DWS - Department of Water and Sanitation

ED - Executive Director

EEDG - Energy Efficiency and Demand Side Management Grant

EPWP - Expanded Public Works Programme

FBDM – Frances Baard District Municipality

GG – Government Gazette

GRAP - Generally Recognised Accounting Practices

IDP - Integrated Development Plan

INEP - Integrated National Electrification Programme

ISDG - Infrastructure Skills Development Grant

IT - Information Technology

KPA - Key Performance Area

KPI - Key Performance Indicator

MBRR - Municipal Budget and Reporting Regulations (GG 32141 of 17 April 2009)

MBS – Monthly Budget Statement

MFMA - Municipal Finance Management Act (Act 56 of 2003)

MIG - Municipal Infrastructure Grant

MM - Municipal Manager

MSA - Municipal Systems Act

MTREF - Medium Term Revenue and Expenditure Framework

NDPG - Neighbourhood Development Partnership Grant

NERSA - National Energy Regulator of South Africa (“the Regulator”)

NT - National Treasury

OPEX – Operational Expenditure

PMU – Project management unit

PPE - Property, Plant and Equipment

RBIG – Regional Bulk Infrastructure Grant

R&M - Repairs and Maintenance

SCM - Supply Chain Management

SCOA – Standard Charts of Accounts

SDBIP - Service Delivery and Budget Implementation Plan

SEDP - Strategic Economic Development and Planning

SLA -Service Level Agreement

SMME -Small, Medium and Micro Enterprises

SPLM - Sol Plaatje Local Municipality

VAT – Value Added Tax

WSIG – Water Services Infrastructure Grant

YTD – Year-to-date

# PART 1 - ADJUSTMENT BUDGET

## 1. Executive Mayor's Report

Speech to be delivered at the tabling of the Adjustment Budget 2022/23.

## 2. Resolutions

### Approval of Adjustments Budget for the year ending 30 June 2023

(Ald. KJB Sonyoni)

09 February 2023

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#### Purpose

The purpose of this report is to obtain approval of the additional adjustments to the approved 2022/23 Medium Term Revenue and Expenditure Framework (2022/23 MTREF) in terms of Section 28 of the Municipal Finance Management Act 56 of 2003 for the year ending 30 June 2023. To obtain approval for the adjusted SDBIP targets for 2022/23.

#### For noting / for decision by

For decision by:

- Council (to approve)
- The item/report has NOT been considered by a portfolio committee.
- This item is for decision by Council.

#### Background

The 2022/23 MTREF was approved by Council on the 7 June 2022 in accordance with MFMA Section 24 (1). Section 28 of MFMA requires a municipality to revise an approved annual budget through an adjustment, and section 28 (4) requires that only the mayor may table an adjustment budget in the municipal council.

After careful consideration of the actual year to date performance and adjustments from grantors (National Treasury) of the approved original capital and operational budgets, it became necessary that the municipality's budgets be adjusted to reflect the actual performance as well as the projected performance for the rest of the financial year.

In terms of section 23 (1) of the Municipal Budget and Reporting Regulations Government Gazette No.32141 17 April 2009, the following is required; ***"An adjustment budget may be tabled in council at any time after the mid-year budget and performance assessment has been tabled in council, but not later than 28 February of the current financial year"***.

#### Annexures

Schedule B tables and charts – Adjustment Budget 2022/23 MTREF

Adjusted SDBIP targets 2022/23

#### Motivation

None

#### Personnel Implications

None

#### Financial Implications

There are no further financial implications other than as indicated in the annexure.

#### Legal Authority and Implications

Sol Plaatje Local Municipality – Adjustment Budget 2022/23

Consultation

The Municipal Manager, all Executive Directors and Senior Managers, and the Mayoral Committee.

Contact Person

Ald K.J.B Sonyoni – Executive Mayor

B.S Matlala – Municipal Manager

L.K Samolapo – acting Chief Financial Officer

O Gopane - IDP Manager

**RECOMMENDATION:**

1. That the operational and capital adjustment budget as tabled in Schedule B tables and charts be approved as listed below:
  - 1.1 Table B1 – Adjustment Budget Summary
  - 1.2 Table B2 – Adjustment Budget Financial Performance (functional classification)
  - 1.3 Table B3 – Adjustment Budget Financial Performance (revenue and expenditure by municipal vote)
  - 1.4 Table B4 – Adjustment Budget Financial Performance (revenue and expenditure)
  - 1.5 Table B5 – Adjustment Capital Expenditure Budget by vote and funding
  - 1.6 Table B6 – Adjustments Financial Position
  - 1.7 Table B7 – Adjustment Budget Cash Flows
  - 1.8 Table B8 – Cash back reserves and accumulated surplus reconciliation
  - 1.9 Table B9 - Asset Management
  - 1.10 Table B10 – Basic Service Delivery Measurement
2. That council notes the adjustments in conditional grants appropriated for 2022/23 and the implications of the adjustments in the implementation of projects as planned for the year.
3. That due to mSCOA Reporting requirements, the schedules may change from what is presented here, with the totals remaining the same, that Council gives the Municipal Manager and the CFO permission to effect, all necessary corrections as a result of reporting requirements.
4. That the adjusted budget be approved and submitted to the relevant stakeholders accordingly
5. That council committees as set up gives attention in the implementation and reporting on this adjustment budget.
6. That the adjusted SDBIP targets be approved

7. That the Municipal Manager ramps up collection of arrears from all customer groups as a matter of urgency and apply 100% of the Credit Control Policy as recommended by National Treasury during the 2022/23 Mid-year engagement.
8. That the Municipal Manager submits UIFW Reduction Strategy by 28 February 2023 to CD: MFMA Implementation within National Treasury.
9. That Council take note of the observations and recommendations from National Treasury emanating from the 2022/23 Mid-year budget and performance engagement.

### **ADDITIONAL RECOMMENDATIONS**

10. That the municipality continues on cost containment, re-instate the soft lock in the filling of vacancies and place a moratorium on contract extensions to improve on the liquidity position of the municipality, whilst the development of the Financial Recovery Plan is in progress.
11. That council notes that at this stage there is no arrangement in place to pay arrear debt owed to Eskom, municipality is awaiting approval from ESKOM on the proposal submitted. The draft debt agreement was submitted to DWS, awaiting approval by the Department. The municipality is participating in the Debt Incentive scheme provided by DWS.

## **3. Executive Summary**

### **3.1 Adjustment Budget Overview**

The 2022/23 financial year has been riddled with challenges especially pertaining to the poorer collection rate, resulting in an increase on the outstanding debtors that has put severe strain on the cash flow position of the municipality and the serious challenge is the increase on debt owed to ESKOM and Department of Water and Sanitation.

The payment of salaries and wages has also been under tremendous threat for the last few months. The Cost coverage ratio is less than one week versus a healthy position of three months, as recommended by NT. Cash is monitored on a daily basis and a concerted effort should be done to recoup all outstanding debt, hence the extensive implementation of the Credit Control Policy to block and disconnect all consumers owing the municipality commencing mid-February 2023. The municipality is also taking heed of the recommendation from National Treasury during the Mid-year Engagement held on 2 and 3 February 2023, to ***apply the Credit control policy 100% to all consumers.***

The main priority for the municipality now is to improve the collection rate, to enable the municipality to settle its current account to ESKOM and DWS, whilst at the same time concluding payment arrangements so that the municipality can reduce the arrear debt. This positively influence the current status quo of incurring Interest on overdue accounts which will reduce the Fruitless and Wasteful expenditure.

The Municipal Manager was appointed on 1 July 2022, whilst the IDP manager was appointed effective 1 January 2023. There is some instability in Executive management with current vacancies, but the municipality will expedite the process of appointing suitably qualified and experienced incumbents as Chief Financial Officer, Executive directors for Corporate services and Infrastructure services.

At mid-year these were the following key results:

Description in Rand	Original Budget / Target	Year-to-Date Actual	% Achieved
Billed revenue excl Capital grants versus Original budget. Acceptable based on in-year percentage of 50.00%.	2,487,208,972	1,199,426,501	48.2%
Billed revenue excl Capital grants versus Projected target. Satisfactory. Overstated due to the annual billing of Property Rates and error allocation of Prepaid Electricity Sales	1,243,604,280	1,199,426,501	96.4%
Capital grants recognised in the Statement of Financial Performance vs Projected target. Unsatisfactory, poor capex, urgent intervention required.	67,168,992	30,603,205	45.6%
Actual capital grants received vs Original budget.	134,338,000	63,530,000	47.3%
Actual Operational Expenditure versus Original budget. Acceptable based on in-year percentage of 50.00%. Deprecation not provided for.	2,465,127,668	1,061,288,973	43.1%
Actual Operational Expenditure versus Projected target. Satisfactory.	1,232,568,672	1,061,288,973	86.1%
Capital Expenditure vs Original Capital Budget. Capex extremely poor, require serious intervention.	190,043,000	37,995,221	20.0%
Capital Expenditure vs Projected target. Capex extremely poor, require serious intervention.	95,021,538	37,995,221	40.0%
Arrear Debt including the current account due to Eskom (Bulk Electricity). Awaiting feedback from ESKOM on repayment proposal submitted.		726,898,949	
Arrear Debt including the current account to Department of Water and Sanitation (Bulk Water). Awaiting feedback from DWS on repayment proposal submitted.		153,868,501	
Debt over 90 days vs Total Outstanding Debtors	2,876,144,042	3,190,214,508	90%

The municipality managed to achieve 48.2% of its total billable revenue, total operational expenditure was 43.1% spent, whilst the total capital budget was 20.0% spent. The average collection rate was 78.1%. The total outstanding consumer debt amounted to R3,190,215 billion.as at the end of December 2022.

Based on the challenges facing the municipality, it was necessary to adjust both the operational revenue, operational and capital expenditure budgets.

The capital budget, where additional funding was received or funds being withheld, had to be taken into account. National Treasury declined the rollover request for 2021/22 financial year.

Drastic action is required to ensure the liquidity and sustainability of the municipality. This implies that the Credit Control and Debt Collection Policy has to be implemented diligently, fairly and timeously. The municipality is in the process to conclude payment arrangements with both ESKOM and the Department of Water and Sanitation. As at 31 December 2022, the total debt due to ESKOM amounted to R726,899 million and total debt due to DWS an amount of R153,869 million.

National Treasury reiterated that essentially the Municipal Budget Assessment and Benchmark Engagement recommendations for the 2022/23 MTREF should be considered during the compilation of the 2021/22 financial year Adjustments Budget and as part of the finalisation of the 2023/24 MTREF. The municipality will consider these recommendations for both the 2022/23 Adjustment Budget and 2023/24 MTREF and will endeavour to implement any such recommendations where it is possible and practical to do so, especially from a financial perspective.

As per the Benchmark report: "Section 23 of the MFMA requires the municipal council to consider views of the National Treasury (NT), the relevant provincial treasury as well as the provincial and national organs of the state on the tabled budget. In order to give effect to the National Treasury's legislated monitoring and oversight responsibilities, the municipal budget and benchmark engagement for Sol Plaatje municipality took place on 23 May 2022. The engagement provides a platform to discuss challenges and provision of guidance from various units within the NT." The outcomes of the engagement are indicated below:



**National Treasury highlighted that the key observations are summarised using the four pillars namely, the financial health, service delivery, institutional arrangements and governance.**

## **“Key observations**

### **Institutional arrangements - fragile**

The institutional arrangements pillar was assessed to be fragile based on the following:

- The administrative leadership of the municipality has been led by an acting Municipal Manager (MM) who retired in February 2022.
- Integrated Development Plan (IDP) was not yet tabled at the time of the engagement and that made planning to be difficult. The municipality will ensure the budget is linked to plans in the next IDP cycle.
- Service delivery budget and implementation plan (SDBIP) was not tabled, the municipality will ensure that performance agreements are linked to the SDBIP.
- There is an unstable relationship between management and political leadership leading to the cycle which exacerbates the municipality’s weak financial position (termination of contracts immediately after the announcement of election results).
- There is a lack of accountability for work done, the municipality is unable to take employees to account;
- The municipality is embracing changing work dynamics and also supporting business continuity and resilience.
- Municipality indicated that they are deliberate on re-invigorating private sector participation in the economy.
- There are 65 Councillors of which the African National Congress (ANC) has 33. The Council participation is at its highest and the engagements are rich according to the municipality.
- As part of the institutional arrangements’ presentation by the Acting MM, she indicated that the municipality is grappling with growing demand for land, electricity, and water services by communities.
- The growing staff costs remain a challenge, especially when the municipality still has critical vacancies which need to be filled; and
- Also, as part of her institutional arrangements presentation, the Acting MM indicated that the infrastructure of the municipality has aged and is not supporting development to thrive.

### **Financial Governance - fragile**

Financial governance remains fragile based on the following:

- The municipality is fostering collective responsibility and accountability by implementing investigations and follow-through on the consequence management.
- Risk management and roles of different committees (Disciplinary Board, Audit and Oversight Committees) and turn-around time to respond to grievances need to improve.
- The municipality has been receiving qualified audit outcomes since 2017/18 and concern is that qualification findings are increasing.
- They received the disclaimer on performance due to the fact that key performance indicator (KPI) owners are not keeping documents leading to a lack of credible portfolio of evidence being submitted for auditing by AG.
- District Development Model (DDM) is still at an infancy stage. The participation of the provincial sector departments in the DDM is not satisfactory.
- Underfunded mandates remain a challenge and the libraries subsidy transferred is not sufficient to cover the operating expenditures; and



- The budget was consulted through radio talks, ward meetings were led by the Speaker and the Mayor. The budget was also placed on the municipal website.
- During the budget consultation process, the communities raised issues of water safety, sewer spillages and unemployment. Financial health – decline

## Financial Health

The Financial health situation of the municipality is on a decline based on the following grounds:

- Liquidity of the municipality is not improving.
- Executive Management Team (EMT) is fully committing to credit controls and implementation of debt collection policy and lobbying for political support as there is reluctance by Council to implement its own Council Policies.
- Customers are reluctant to pay for services due to the poor state of roads infrastructure and lack of service delivery. The municipality to change how the budget is implemented to address service delivery challenges.
- The municipality is in the process of developing a financial turnaround strategy and the aim is to improve the collection rate to 87 per cent in order to be sustainable. In addition, there is a need to adopt a loss reduction strategy to address water and electricity distribution losses.
- The municipality aims to make that balance between cost reflective and affordability of tariffs.
- As a result of low collection, the municipality has no funds in the bank and what comes in is not enough to pay for creditors;
- There is a growing debtors' book because the municipality is not able to collect revenue at the desired level and of concern is that there is growing creditors book as the municipality is defaulting to pay creditors.
- There is increasing Bad Debts. The debtor days are an alarming 379 days.
- According to the National Treasury calculations cash is projected to be used in operations in 2022 rather than being generated, which raises a concern about the sustainability of the budget being implemented (municipality is living beyond the means).
- The municipality is budgeting for an operating deficit. The long-term financial plan which was presented by INCA shows a deficit budget for the next 6-8 years.
- The customers are continuing to default on paying for property rates and service charges this continue to plague the municipality into more financial vulnerability.
- Daily cash receipts are declining due to poor consumer collection rate.
- Property market is not doing well too measured by number of transfers and new accounts opened. The properties take longer to sell which results in the municipality looking out on potential revenue as no property is sold unless all outstanding debtors are paid for that property.
- There is an increase in the registration of indigents due to increased unemployment; and
- The cost coverage ratio is less than a month. A concern is that the average monthly operational expenditure (which includes Eskom Bulk, DWS Water board, Salaries and Other creditors) is R165 million against an average revenue receipt of R100 – R115 million per month.

## Service delivery - decline

- Key thematic areas for this year's assessment are focused on the state of asset management and project preparation in the municipality. The assessment of water and sanitation business is on a decline based on the following:
- Vandalism of infrastructure is prevalent.
- The infrastructure has aged, and the municipality lacks funding to finance it;

- Distribution losses are out of control 26.4 per cent or R142.9 million for electricity far above the norm of 7-10 per cent) and 61.7 per cent or R69.6 million for water far above the norm of 15-30 percent.
- The municipality has no maintenance plan and simply reacts to what is broken. Therefore, the municipality needs to improve the maintenance and renewal of infrastructure.
- Lack of project readiness is the reason for failure in implementing capital projects and therefore affects conditional grant spending which leads roll-over not being approved and as a result, the municipality has to pay back their conditional grant back to the national fiscus.
- The municipality felt that its Bid committees must undertake refresher training to understand how issues flow and keep up with the developments in the supply chain management (SCM) regulatory framework and Construction Industry Development Board (CIDB).
- Some bidders don't respond to the adverts leading to the re-advertisement which delays service delivery.
- Creditors are not paid on time which is a breach of the MFMA.
- Some employees in the supply chain unit are not always abreast with new developments. Therefore, education according to the municipality is needed on how to deal with Central Suppliers Database (CSD) registration.
- Projects in the capital expenditure framework (CEF) are not funded, the reason is that there are no business plans that are being submitted which limits allocation of funds.
- Precincts need to be incorporated into the IDP and there should be business plans.
- The municipality has not finalised the Long-Term Growth and Development Strategy and their spatial development framework (SDF).
- Capital expenditure is 7 per cent of the total budget which indicates that they are under-budgeting for CAPEX which will affect the service delivery as the norm for CAPEX should be between 10 and 20 per cent of the total budget. The municipality is grant dependent and reserves are depleting due to poor collection rate.
- Absence of maintenance plans for all infrastructure assets makes the budget complicated. In the absence of the plan the municipality resort to just incremental budgeting with no substantial costing of the maintenance needs.
- Repairs and Maintenance as a percentage of property, plant and equipment (PPE) will have to be increased progressively given the ageing infrastructure.
- Vacant IDP manager position is affecting the submission dates. Among the reasons for the late tabling of the IDP and SDBIP is due to this post not being filled.
- One of the Catalytic Land Development Programmes (CLDP) in the municipality is the Lerato Park and Carters Glen informal settlements programmes.
- Another CLDP is the Kutlwano Early Childhood Development project where the municipality donated land.
- The municipality plans to address the vacancy rate on service delivery related positions to meet the required ratio of staff per 1000 people, 60km pipe for 1 plumber and team. The Civil engineer for Water & Sanitation position has been vacant since 2020.
- The municipality plans to retain businesses in Central Business District (CBD) and plans to also tackle crime rates and infrastructure decay in the CBD.
- The municipality needs to capacitate Local Economic Development (LED) to improve the planning and regulatory environment to ensure the easy of doing business and cut red tape; and
- Drinking water quality is 98 per cent compliant according to the South African National Standard (SANS).

## RECOMMENDATIONS

The municipality recommends NT to:

Assist them with using the correct item on the municipal standard chart of account (*mSCOA*) chart for losses – theft of infrastructure.

Share the findings on the *mSCOA* audit of its system (BCX - Solar).

Educate bidders on how to deal with CSD registration and how to fill bid documents; and

Offer support in the implementation of Circular 88.

It was **resolved** at the engagement that:

NT will:

Have a session with the municipality regarding planning and budgeting (C88) on 24 May 2022.

It is **recommended** that the municipality should:

Expedite the appointment of the Municipal Manager before the start of the 2022/23 financial year. Ensure that they table the IDP for consultation before the public consultation process is concluded.

Share with the NT the *mSCOA* roadmap.

Improve data credibility (audited figures on budget not aligning to AFS) and the cash flow data strings.

Submit all supporting documents (budget policies, time schedule (S21), IDP, SDBIP) on GoMuni.

Provide NT with the cost of providing services to informal settlements.

Improve collection rate and reduce expenditure where possible as budgeted items are not supported by cash flow.

Municipality needs to implement controls on performance management in order to deal with overtime monitoring.

Improve project planning to avoid losing conditional grants and improve service delivery.

Address water and electricity losses urgently. The DBSA to assist with smart meters for electricity.

Allocate equitable share to the four trading services.

Implementation of Credit Control procedures as the municipality's sustainability is under threat and ensure that all policies approved on Revenue and Expenditure by Council must be implemented by the municipal officials.

Exercise all precautions in implementing the cost of supply study; and

Pursue budget facility for infrastructure (BFI) applications to address the infrastructure upgrades/replacements required.

## Conclusion

Based on the four pillars.

### Institutional – fragile

The key issues that threaten the administrative stability include, amongst others, the absence of a permanent MM, increased number of indigent households, unemployment, water scarcity and ageing infrastructure.

The 2022/23 MTREF budget (A1 Schedule) was not extracted directly from the core financial system, but the TRU system used to extract the A1 Schedules is seamlessly integrated into the core financial system. There are still challenges with cash flow and balance sheet budgeting.

There is an unstable relationship between management and political leadership leading to the cycle which exacerbates the municipality's weak financial position (termination of contracts immediately after the announcement of election results).

### Financial Governance – fragile

*Sol Plaatje Local Municipality – Adjustment Budget 2022/23*

Financial governance remains fragile because the municipality received qualified audit outcomes and concern is that qualification findings are increasing. The municipality needs to work on audit action plans in order to improve its audit outcomes.

The municipality received the disclaimer on performance because key performance indicator (KPI) owners are not keeping documents leading to lack of credible portfolio of evidence being submitted for auditing.

### **Financial Health –decline**

According to the National Treasury calculations, cash is projected to be used in operations in 2022/23 rather than being generated, which raises a concern about the sustainability of the budget being implemented (municipality is living beyond its means).

The municipality is in a deficit of over R1.3 billion when taking creditors and liquidity requirements. The municipal budget is artificially funded over the MTREF because of huge outstanding debtors not written off as the municipality still hope to collect revenue from those debtors.

### **Service Delivery – decline**

The municipality had reported that there are a number of interventions that are being implemented in line with securing water for its consumers to meet water demand which includes collaboration with DBSA.

The municipality is mainly dependent on conditional grants and internally generated funds to fund its capital projects.

The municipality has indicated that its infrastructure has aged, and the municipality lacks funding to finance it.

The repairs and maintenance against municipal assets value are far above the 8 per cent norm at 15 per cent.

The municipality's Creditors are not paid on time which is a breach of the MFMA.

The vacant IDP manager position is affecting the submission dates. Among the reasons for the late tabling of the IDP and SDBIP is due to this post not being filled.

## **OBSERVATIONS AND RECOMMENDATIONS EMANATING FROM THE MID-YEAR BUDGET AND PERFORMANCE ENGAGEMENT HELD ON 02 & 03 FEBRUARY 2023**

The annual mid-year budget and performance assessment engagement focused on the municipality's 2021/22 financial year's performance, the 2022/23 mid-year performance and preparations for the 2023/24 Medium Term Revenue and Expenditure Framework.

The delegation comprised of various units within the National Treasury and officials from the Northern Cape Provincial Treasury and the DBSA.

A summation of the observations, recommendations and resolutions emanating from the discussions is presented below; these should inform the municipality's 2023/24 MTREF where appropriate.

### **KEY OBSERVATIONS**

#### ***Institutional Arrangements***

The municipality's **institutional arrangements are fragile** due to the following concerning reasons:

- National treasury is displeased with the municipality's preparation of the presentation as it had missing gaps (especially the infrastructure).

- The municipality has a permanent Municipal Manager (MM), the Integrated Development Plan (IDP) Manager was also appointed, after the IDP Manager position has been vacant for 6 years.
- The Chief Financial Officer (CFO)'s position is currently vacant since the previous CFO resigned and an acting incumbent has been appointed.
- The positions of the CFO & ED Corporate Services are advertised and close on 20 Feb 2023.
- The Executive Director ED Infrastructure post is to be advertised soon.
- Council meets regularly but there are challenges with effective Committees, there is need to elevate oversight debates in Council.
- The Audit Action Plan Presented to Council is at 96 per cent complete. The Clean Audit Committee weekly meetings are held.
- Underfunded mandates still remain a major challenge to the municipality.
- The municipality uses consultants for infrastructure services.
- The municipality was requested to do a live demonstration on how the municipal standard chart of accounts (mSCOA) segments are working in the core financial system. Further to this, it was also requested to show how the Planning, Budgeting and Reporting are integrated into the mSCOA segments. The municipality however did not perform the live demonstration.
- The municipal officials feel that the municipality lacks Consequences Management for wrong doings.
- The Disciplinary Board is in place, has active members and matters are referred to it; and
- The Project Management Unit (PMU) is not adequately staffed to deal with projects.

### ***Financial governance***

The municipality's **financial governance is fragile** due to the following concerning reasons:

- For the past five financial years the municipality has been receiving a qualified audit opinion.
- There is lack of consequence management, no improvement on effective leadership and exercising oversight responsibility.
- In improving and correcting audit findings, the municipality has introduced the monitoring mechanism to deal with repetitive findings.
- The performance indicators to improve audits are included in in performance agreements of senior managers involved.
- Irregular expenditure is still a challenge as a result of contravening supply chain management (SCM) processes, expired contracts, this is a concern.
- In December the municipality had to override the system on unauthorized expenditure for water and sanitation because the budget was exhausted, the municipality must put an end to this practice as the municipality will end up spending money they do not have.
- The municipality must also ensure that they have a funded adjustment budget as there will be serious implications for adopting an unfunded adjustment budget; and
- Annual report for 2022/23 was submitted late, the 2021/22 has not commenced yet.

## **Financial health**

The municipality's **financial health is distressed** due to the following concerning reasons:

- The municipality tabled an artificially funded budget (outstanding debtors are way more than outstanding creditors and are not written off, while the municipality is also not collecting on those debtors).
- The total billed revenue for 2021/22 was R2.2 billion and the total operational expenditure was R2.3 billion, leading to an operational deficit of R136.4 million.
- The municipality's current collection rate is not at desired level; Collection rate for 2021/22 was only 70 per cent and was reported at 76 per cent during the mid-year 2022/23 which is far below the norm of 95 percent.
- As a result of these operational inefficiencies the municipality is unable to pay current accounts for Eskom (R120 million per month while the municipality can only pay R22 million per month) and Water Boards.
- Total owed to Eskom is R726.9 million while to Water Board it is R153.9 million.
- The Debtors keep ballooning as the municipality is unable to collect revenue. The municipality has reported a total of R3.2 billion gross debtors for 2022/23 mid-year and the net debtors after considering the impairment are at R1.9 billion. Of the total debtors, R876.8 million or about 26.1 per cent is owed by the Organs of State. Debtors owed by the households is also high at 55.5 percent.
- The total creditors owed by the municipality increased from R460 million in 2022/23 to R1 billion in 2021/22 mainly driven by the ballooning Eskom Debt due to the inability of the municipality to honour current account payments.
- The cost coverage ratio is less than 1 week, as a result it doesn't cover fixed operations of the municipality;
- 4.5 per cent electricity tariff was implemented instead of 8.61 per cent approved by National Energy Regulator of South Africa (NERSA). This is an indication that the municipality is not serious about improving its cash position; and
- Overtime abuse remain a concern at the municipality.

## **Service delivery**

The municipality's **service delivery has declined** due to the following concerning reasons:

- The municipality has recorded a capital expenditure of less than 75 per cent in 2021/22 financial year. For 2022/23 mid-year, the municipality has recorded only 20 per cent, which is unsatisfactory. This is therefore an indication that the municipality has challenges with regard to planning for capital projects.
- There are operational inefficiencies as there are excessive water and electricity losses.
- The water losses increased from 61.7 per cent in 2022/23 to 64.6 per cent in 2021/22 financial year, while the allowed norm is between 15-30 per cent. They were reported at 62 per cent by January 2023.
- Electricity losses increased to 26.7 per cent in 2022 from 26.4 per cent in 2021, while the norm is between 7-10 per cent. For 2022/23 mid-year electricity losses stood at 31.9 percent.
- Conditional grants expenditure was 95.4 per cent in 2021/22. Non-performing grants were WSIG at 76.4 per cent (a concern that this is an infrastructure grant) and ISDG at 89.1 per cent. A Roll over request of R1.6 million was not approved by National Treasury.
- At mid-year conditional grants expenditure was standing at 24.8 per cent.
- The municipality suffers from asset failure due to lack of asset maintenance.
- There are project implementation delays due to bidders not adhering to Functional Specifications.



- Municipal infrastructure assets are not properly secured and is exposed to vandalism;
- Some tar roads in the townships were eroding due to absence of kerbs.
- Potholes were evident in most road within central business district areas posing a high risk on motorists.
- Some roads had storm water drainage that did not direct the water properly towards the drainage system; and
- Unsecured pavement bricks in the residential area may lead to material theft.

## RECOMMENDATIONS

It is recommended that:

- Presentations must be prepared a week before the engagement and MM must be part of the proceedings throughout the day as the accounting officer.
- The municipality must continue to instill strict credit controls against Organs of State not paying the municipality.
- The municipality need to fast-track an improved Audit Outcomes given the repeat findings.
- The municipality must develop and monitor the implementation of action plans to address internal control deficiencies.
- Officials charged with misconduct must be held accountable where consequence management is fully implemented.
- The municipality must build enough capacity to be able to spend the Budget Facility (BFI) funding on much infrastructure need.
- The municipality must improve planning; critical vacant positions must be filled timeously.
- The municipality must on a monthly basis pay Eskom and Dept of Water and Sanitation current account in full.
- The municipality must honour any arrangements or agreements entered into with Eskom and the Dept of Water and Sanitation.
- The municipality must urgently address water and electricity losses so that they can be kept within the norms.
- Upon appointment of service providers, the municipality must put the Project plan and penalties clauses at the start and finish time of the project.
- If Council or a Councillor refuse to implement credit controls, the MM and CFO must request a Council Resolution to that effect.
- The municipality must improve the collection rate as it is having a dire impact on the cash flow of the municipality.
- Debt control and credit policy must be implemented 100 percent.
- The municipality should introduce a fine when someone has been caught with illegal connection.
- If a household is more than 3 times on cut off list, the municipality must install a prepaid meter for that household.
- The draft budget must be populated from the budget module.
- Depreciation must be cash backed in order to finance future projects.
- The municipality must journalise Depreciation on a Monthly Basis.
- The municipality need fit for purpose structure especially on infrastructure in order to avoid overtime.
- All managers need to co-operate with the information to compile the Annual Report on time as the first thing investors look at is the Annual Report; and
- The municipality must implement Circular 106 Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIDPM).



## RESOLUTIONS

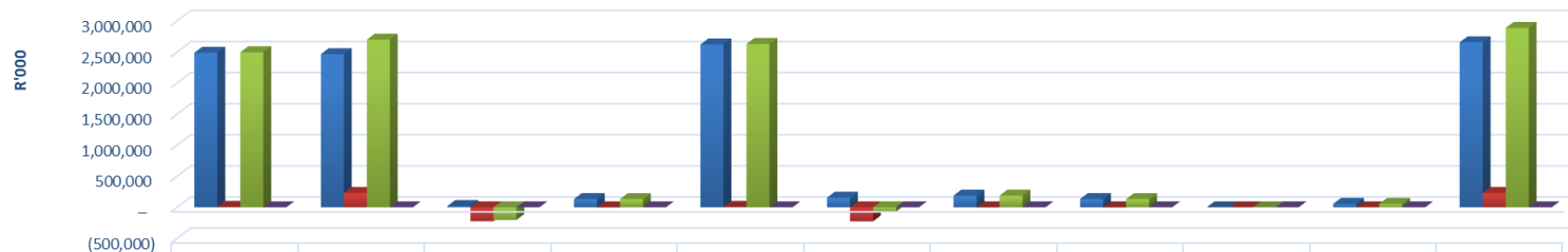
It was resolved at the engagement that:

- The municipality need to complete slide 142 on consequent management to reflect cases that were dealt with.
- The municipality must write to National Treasury to seek recruitment approval of the ISDG graduates.
- NT will share the transversal contract RT27 Provision of debt Collection.
- Municipality to request assistance from NT on how to deal with the historic UIFW. Arrangement can be made with [khensani.makaneta@treasury.gov.za](mailto:khensani.makaneta@treasury.gov.za).
- Provide National Treasury with an updated presentation with the inclusion of all Service Delivery outstanding issues; and
- The municipality to liaise with Mr Thamsanqa Mohale from Local Government Infrastructure Unit for training on the Framework for the Infrastructure Delivery and Procurement Management at [Thamsanqa.Mohale@treasury.gov.za](mailto:Thamsanqa.Mohale@treasury.gov.za).

Due to various indicators as per the mid-term budget assessment results, it became clear that the approved operational and capital budget for the 2022/23 MTREF must be revised. Some of the material underlying reasons include the following:

- ❖ Lower than projected revenue from Property Rates, Service charges Water and Electricity as a result of the reduced tariff increases by Council
- ❖ Projected increase in revenue from Service charges for Sanitation and Refuse
- ❖ Projected increase in Other revenue
- ❖ Adjustments on Operational and Capital grants that became known after the approval of the MTREF.
- ❖ Increase on Finance charges for Interest on overdue accounts for ESKOM predominantly and Debt impairment due to the lower collection rate.
- ❖ Adjustment on the Water inventory and Water losses as per GRAP 12
- ❖ Various adjustments on Operational Expenditure

### Consolidated Overview of the 2022/23 Adjustment Budget



	Total Operating Revenue (Excl Capital transfers and contributions)	Total Operating Expenditure	Surplus/(Deficit)	Capital transfers and contributions	Total Operating Revenue (Incl Capital transfers and contributions)	Surplus/(Deficit) for the year	Total Capital expenditure	Transfer recognised - Capital	Borrowing	Internally generated funds	Total exp (Opex and Capex)
■ Original Budget	2,487,209	2,465,128	22,081	134,338	2,621,547	156,419	190,043	134,338	–	55,705	2,655,171
■ Adjustments Increase (Decrease)	8,768	233,077	(224,309)	(1,150)	7,618	(225,459)	(1,150)	(1,150)	–	–	231,927
■ Final Adjustment Budget	2,495,977	2,698,205	(202,227)	133,188	2,629,165	(69,039)	188,893	133,188	–	55,705	2,887,098
■ % Increase / (Decrease)	0.35%	9.45%	-1015.83%	-0.86%	0.29%	-144.14%	-0.61%	-0.86%	0.00%	0.00%	8.73%

Consolidated Overview of the 2022/23 Adjustment Budget	Original Budget	Adjustments Increase (Decrease)	Final Adjustment Budget	% Increase / (Decrease)	Comment
	R'000	R'000	R'000		
Total Operating Revenue (Excl Capital transfers and contributions)	2,487,209	8,768	2,495,977	0.35%	Net upward adjustment of R8,768m
Total Operating Expenditure	2,465,128	233,077	2,698,205	9.45%	Net upward adjustment of R233,077m
Surplus/(Deficit)	22,081	(224,309)	(202,227)	-1015.83%	Increase in Operating Deficit of R224,309m
Capital transfers and contributions	134,338	(1,150)	133,188	-0.86%	Net downward adjustment of R1,150m
Total Operating Revenue (Incl Capital transfers and contributions)	2,621,547	7,618	2,629,165	0.29%	Net upward adjustment of R7,618m
Surplus/(Deficit) for the year	156,419	(225,459)	(69,039)	-144.14%	Decrease in Surplus for the year of R225,459m
Total Capital expenditure	190,043	(1,150)	188,893	-0.61%	Decrease in Capex of R1,150m
Transfer recognised - Capital	134,338	(1,150)	133,188	-0.86%	Decrease in Capital transfers of R1,150m
Borrowing	–	–	–	0.00%	No adjustments
Internally generated funds	55,705	–	55,705	0.00%	No adjustments
Total exp (Opex and Capex)	2,655,171	231,927	2,887,098	8.73%	Upward adjustment of R231,927m

The chart and table above articulate the consolidated overview of the 2022/23 Adjustment budget with an upward adjustment on total operational revenue of R8,768 million resulting in the final adjusted budget of R2,495,977 billion. The total operating expenditure moved upwards by R233,077 million resulting in the final adjusted budget of R2,698,205 billion. The operating deficit for the year is estimated at R202,227 million for the period. The net deficit is budgeted at R69,039 million after taking into consideration the capital transfers and contributions of R133,188 million.

The capital expenditure budget decreased by R1,150 million as a result of a combination of upward and downward adjustments on capital grants and zero-rand adjustments on Internally generate funds. Rolled over funds have been declined and has therefore not been factored into the final adjusted capital budget. The final adjusted capital expenditure budget is R188,893 million for the 2022/23 MTREF.

#### **4. Adjustment budget tables and narratives**

##### **4.1 Adjustment Budget – Revenue Framework**

The municipality relies heavily on successful collection of billed revenue to finance its operations. It very important that monthly cash expenditure is measured against monthly billed revenue and collected revenue at the same time. The collection rate is one of the critical key performance indicators that are reported on, on a monthly basis.

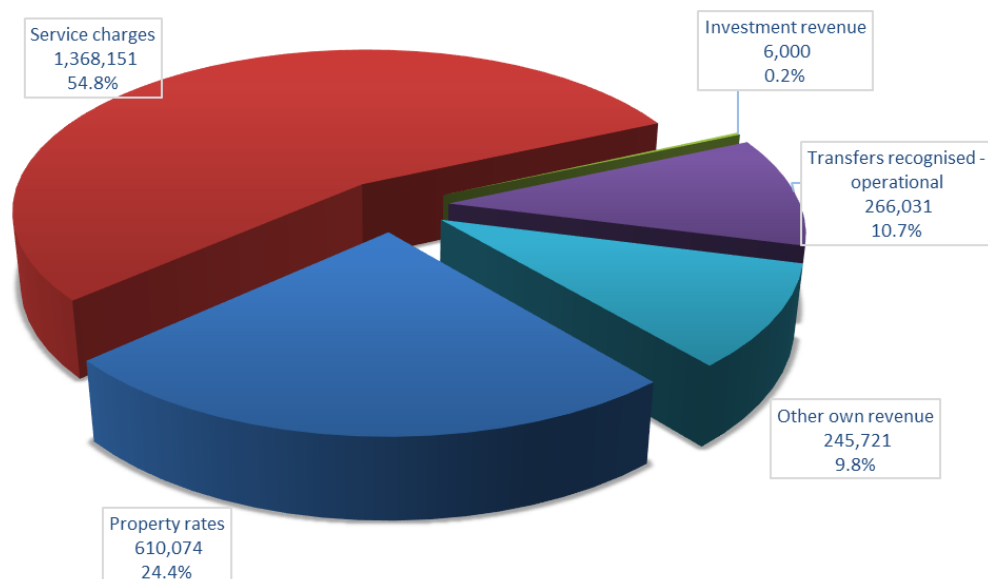
It is becoming more and more challenging to collect revenue and recover debt as a result of economic conditions that are not favourable for both businesses and residential customers. The indigent register is growing, and the situation is exacerbated by demand for land for informal settlement purposes which put more pressure on demand for services with no new income being realised from these developments. The municipality should place more emphasis on the pursuance to expedite the sale of land for possible revenue generation enhancements. Electricity remains the main revenue source for the municipality and more stringent revenue protection measures must be implemented to minimise non-revenue customers, theft, illegal connections and bypassed meters. Indicated in the table below is the adjustments per Revenue by Source for the adjustments for February 2023 after the Mid-year budget assessment.

NC091 Sol Plaatje - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 22/02/2023

Description	Ref	Budget Year 2022/23									Budget Year +1	Budget Year +2
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	1	A	A1	B	C	D	E	F	G	H		
<b>Revenue By Source</b>												
Property rates	2	627,646	627,646	-	-	-	-	(17,572)	(17,572)	610,074	658,284	688,753
Service charges - electricity revenue	2	919,854	919,854	-	-	-	-	(20,000)	(20,000)	899,854	1,016,768	1,108,634
Service charges - water revenue	2	310,717	310,717	-	-	-	-	(5,000)	(5,000)	305,717	337,475	354,626
Service charges - sanitation revenue	2	81,700	81,700	-	-	-	-	11,800	11,800	93,500	86,203	91,156
Service charges - refuse revenue	2	60,940	60,940	-	-	-	-	8,140	8,140	69,080	65,839	70,641
Rental of facilities and equipment		13,010	13,010	-	-	-	-	12,886	12,886	25,896	13,662	14,414
Interest earned - external investments		6,000	6,000	-	-	-	-	-	-	6,000	12,000	15,000
Interest earned - outstanding debtors		156,500	156,500	-	-	-	-	-	-	156,500	154,069	150,785
Dividends received		-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		27,730	27,730	-	-	-	-	8,000	8,000	35,730	29,117	30,718
Licences and permits		6,850	6,850	-	-	-	-	-	-	6,850	7,193	7,588
Agency services		-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		258,117	258,117	-	-	-	-	7,914	7,914	266,031	273,556	294,591
Other revenue	2	18,145	18,145	-	-	-	-	2,600	2,600	20,745	19,111	20,148
Gains		-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>2,487,209</b>	<b>2,487,209</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,768</b>	<b>8,768</b>	<b>2,495,977</b>	<b>2,673,277</b>	<b>2,847,055</b>

- **Property Rates** – downward adjustment of R17,572 million as a result of the tariff increase of 4% across all categories as approved by Council.
- **Service charges of Water and Electricity** – downward adjustment of R5,000 million and R20,000 million respectively due to the reduced tariff approved by Council (Water 4% instead of 5.68% and Electricity 4.5% instead of 8.61% as allowed by NERSA)
- **Service charges of Sanitation and Refuse** – upward adjustment of R11,800 million and R8,140 million respectively, due to increased revenue projection at mid-year
- **Rental of facilities and equipment** – upward adjustment of R12,886 million for the rental income from Lerato Park rental units
- **Fines, penalties and forfeits** – an upward adjustment of R8,000 million based on the January 2023 actuals and projected for the full year based on the plan for disconnections for the rest of the year.
- **Transfers and subsidies** – a net upward adjustment of R7,914 million as a result of the following significant adjustments:
  - An upward adjustment of R6,300 million on Transfers and subsidies for funds received from FBDM for Environmental health services (R3,500 million) and Roads and Sewer maintenance (R2,800 million).
  - An upward adjustment of R700 thousand as per the gazetted Library grant.
  - An upward adjustment of R630 thousand on funds received from Department of Economic Development and Tourism for an EPWP initiative for Community Services.
- The net downward adjustment on Capital Grants of R1,105 million, due to downward adjustment of INEP R20,000 million and an upward adjustment for funds from the European Union of R18,850 million.

## Operational Revenue: Adjusted Budget 2022/23 (R'000)



Overall Service charges contribute 54.8% of total revenue of the municipality, whilst Property rates and taxes contribute 24.4%, Other own revenue sources make up 9.8%, Investment revenue 0.2% and Transfers recognised – operational 10.7%.

NC091 Sol Plaatje - Table B3 Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) - 22/02/2023

Vote Description	Ref	Budget Year 2022/23									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	+1 2023/24	+2 2024/25
[Insert departmental structure etc]		A	A1	B	C	D	E	F	G	H		
<b>R thousands</b>												
<b>Revenue by Vote</b>												
Vote 01 - Executive & Council	1	-	-	-	-	-	-	-	-	-	-	-
Vote 02 - Municipal And General		470,256	470,256	-	-	-	-	(16,286)	(16,286)	453,970	471,620	502,076
Vote 03 - Municipal Manager		-	-	-	-	-	-	-	-	-	-	-
Vote 04 - Corporate Services		6,873	6,873	-	-	-	-	-	-	6,873	6,942	7,019
Vote 05 - Community Services		101,913	101,913	-	-	-	-	12,340	12,340	114,253	108,936	116,109
Vote 06 - Financial Services		648,238	648,238	-	-	-	-	3,314	3,314	651,552	679,804	711,345
Vote 07 - Strategy Econ Development And Planning		7,945	7,945	-	-	-	-	21,450	21,450	29,395	8,350	8,810
Vote 08 - Infrastructure And Services		1,386,322	1,386,322	-	-	-	-	(13,200)	(13,200)	1,373,122	1,518,411	1,636,669
<b>Total Revenue by Vote</b>	<b>2</b>	<b>2,621,547</b>	<b>2,621,547</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,618</b>	<b>7,618</b>	<b>2,629,165</b>	<b>2,794,063</b>	<b>2,982,028</b>

Senior Managers are charged with the responsibilities of sound financial management and as such, the assets and resources assigned to the votes generates revenue for the municipality. Financial services vote has the full responsibility of billing and collecting on all services rendered by the municipality. The Municipal and General vote deals with council wide revenue generation including the conditional and unconditional grants, interest received from investments etc.

Executive and Council vote and the Municipal Manager's vote generates R0 revenue, and their final budget remained unadjusted.

Municipal and general the net downward adjustment of R16,286 million for predominantly grant adjustments with a final budget of R453,970 million.

Community Services has been adjusted upwards by R12,340 million as a result of the increase in Service charges Refuse and R700 thousand of the Library grant.

Financial Services net upward adjustment of R3,314 million due to downward adjustment of Property Rates, upward adjustment for Rental of facilities and Penalties on disconnection.

Strategy, Economic Development and Planning an upward adjustment of R21,450 million for the capital grant from the European Union and increase revenue from Building plan approvals.

Infrastructure and Services net downward adjustment for adjustments necessitated on Service charges.

The table below presents revenue adjustment by functional classification, and the movements are indicated in the column Total Adjustments.

Standard Description	Ref	Budget Year 2022/23									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	+1 2023/24 Adjusted Budget	+2 2024/25 Adjusted Budget
R thousands	1, 4	A	A1	B	C	D	E	F	G	H		
<b>Revenue - Functional</b>												
<i>Governance and administration</i>		1,126,167	1,126,167	-	-	-	-	(12,972)	(12,972)	1,113,195	1,159,205	1,221,326
Executive and council		470,256	470,256	-	-	-	-	(16,286)	(16,286)	453,970	471,620	502,076
Finance and administration		655,911	655,911	-	-	-	-	3,314	3,314	659,225	687,585	719,251
Internal audit		-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		26,474	26,474	-	-	-	-	4,200	4,200	30,674	27,823	29,354
Community and social services		11,348	11,348	-	-	-	-	700	700	12,048	11,934	12,591
Sport and recreation		1,905	1,905	-	-	-	-	-	-	1,905	2,007	2,117
Public safety		340	340	-	-	-	-	-	-	340	357	377
Housing		12,801	12,801	-	-	-	-	-	-	12,801	13,441	14,180
Health		80	80	-	-	-	-	3,500	3,500	3,580	84	89
<i>Economic and environmental services</i>		16,015	16,015	-	-	-	-	21,450	21,450	37,465	16,825	17,752
Planning and development		5,525	5,525	-	-	-	-	21,450	21,450	26,975	5,809	6,129
Road transport		10,490	10,490	-	-	-	-	-	-	10,490	11,016	11,623
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		1,444,171	1,444,171	-	-	-	-	(5,060)	(5,060)	1,439,111	1,581,053	1,703,936
Energy sources		935,854	935,854	-	-	-	-	(20,000)	(20,000)	915,854	1,033,648	1,126,442
Water management		345,167	345,167	-	-	-	-	(5,000)	(5,000)	340,167	373,990	393,149
Waste water management		92,200	92,200	-	-	-	-	11,800	11,800	104,000	97,015	102,563
Waste management		70,950	70,950	-	-	-	-	8,140	8,140	79,090	76,400	81,783
<i>Other</i>		8,720	8,720	-	-	-	-	-	-	8,720	9,156	9,660
<b>Total Revenue - Functional</b>	<b>2</b>	<b>2,621,547</b>	<b>2,621,547</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,618</b>	<b>7,618</b>	<b>2,629,165</b>	<b>2,794,063</b>	<b>2,982,028</b>

As reiterated above net upward adjustment amounts to R7,618 million resulting in total operational revenue of R2,629,165 billion.

#### 4.2 Adjustment Budget – Expenditure Framework

The precarious financial situation that the municipality is facing, necessitated that there be adjustments made in the operational expenditure budget. It is imperative that councillors, management and employees seriously take heed of the dire financial constraints and change their mindsets in how they perceive spending and more critically, the prioritisation of that spending. It is also of the utmost importance that relevant stakeholders seriously consider the financial impact of their decisions. In such difficult financial circumstances, it is essential that decision makers are pro-active and employ all positive mitigations to improve the situation so that it can have a positive end-result which is stabilising Sol Plaatje's cash flow position. And to remember, above all else that the municipality is constitutionally obligated to render reliable services at the highest quality.

NC091 Sol Plaatje - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 22/02/2023

Description	Ref	Budget Year 2022/23									Budget Year +1	Budget Year +2
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	1	A	A1	B	C	D	E	F	G	H		
<b>Expenditure By Type</b>												
Employee related costs		849,403	849,403	-	-	-	-	567	567	849,970	897,908	947,480
Remuneration of councillors		34,547	34,547	-	-	-	-	-	-	34,547	36,275	38,270
Debt impairment		297,000	297,000	-	-	-	-	100,000	100,000	397,000	316,170	337,015
Depreciation & asset impairment		81,050	81,050	-	-	-	-	-	-	81,050	85,265	89,954
Finance charges		38,960	38,960	-	-	-	-	78,400	78,400	117,360	38,488	37,910
Bulk purchases - electricity		682,000	682,000	-	-	-	-	-	-	682,000	763,840	840,224
Inventory consumed		236,627	236,627	-	-	-	-	29,645	29,645	266,272	244,648	261,393
Contracted services		46,437	46,437	-	-	-	-	7,750	7,750	54,187	48,812	51,352
Transfers and subsidies		4,460	4,460	-	-	-	-	-	-	4,460	4,568	4,677
Other expenditure		134,643	134,643	-	-	-	-	1,075	1,075	135,718	141,656	149,233
Losses		60,000	60,000	-	-	-	-	15,640	15,640	75,640	63,300	66,763
<b>Total Expenditure</b>		<b>2,465,128</b>	<b>2,465,128</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>233,077</b>	<b>233,077</b>	<b>2,698,205</b>	<b>2,640,928</b>	<b>2,824,271</b>

Indicated in the table above is the adjustments to Expenditure by Type that were effected for 2022/23 adjustments budget after the Mid-year budget assessment. The net upward adjustment amounts to R233,077 million, increasing the total expenditure to R2,698,205 billion.

Considering the municipality's dire cash flow position, it is imperative that the operational expenditure should ideally be adjusted downwards, to ensure that the municipality is sustainable, however, the municipality must at same time making sure that critical service delivery issues are adequately addressed and funded. And the municipality was forced to make the adjustments as to avoid incurring unauthorised expenditure. The areas of adjustments that will be proposed are as follow:

**Employee related costs** – an upward adjustment of R567 thousand to make provision for the stipend for EPWP project workers for the Department of Tourism grant, allocated to Resorts. As a result of the re-opening of the filling of vacancies, the municipality does not envisage to realise a significant saving on salary and other benefits. Overtime expenditure remains a major concern as the current year's budget is fully spent but due to budgetary and cash flow constraints these line items were not adjusted, but more stringent internal controls must be put in place to curb the over-expenditure. It is strongly recommended that the municipality continue implementing cost containment measures, by re-instating the soft lock in the filling of vacancies, place a moratorium on new contract appointments and contract extensions to improve the liquidity position of the municipality.

**Debt impairment** be adjusted upwards by R100,000 million as a result of the increase in provision for bad debts which is negatively influenced by the lower collection rate.

**Contracted services** - Commission on Prepaid electricity vendor was adjusted downwards by R18,100 million based on the award of the new tender with a significantly lower commission rate. An upward adjustment of R11,200 million for the provision of Security services. An upward adjustment of R5,000 million for the Asset Management Unit to address audit findings and adjustments on Professional fees for projects. Indicated in the table below are the major adjustments to Contracted services with brief explanatory notes.



Expenditure by type	Sum of Projection Increase (Decrease)
<b>Contracted services</b>	<b>7,750,000</b>
External Security services	11,200,000
Savings on commission for Prepaid vendor	(18,100,000)
Assets Prof fees	5,000,000
Burial fees	150,000
Professional fees Council & General incl (R534k for Ignite for Annual report, Payments Bigen (R1.9m+R1.1m+R3m) for bulk water intervention project	10,000,000
Savings on Legal cost collection used for cable theft	(500,000)

**Finance charges** is adjusted upwards by R78,400 million, due to additional interest incurred on overdue accounts as a result of defaulting on the ESKOM bulk account and other minor interest charges.

**Other materials (Repairs and maintenance)** – Indicated in the table below are the major adjustments to Inventory consumed with brief explanatory notes.

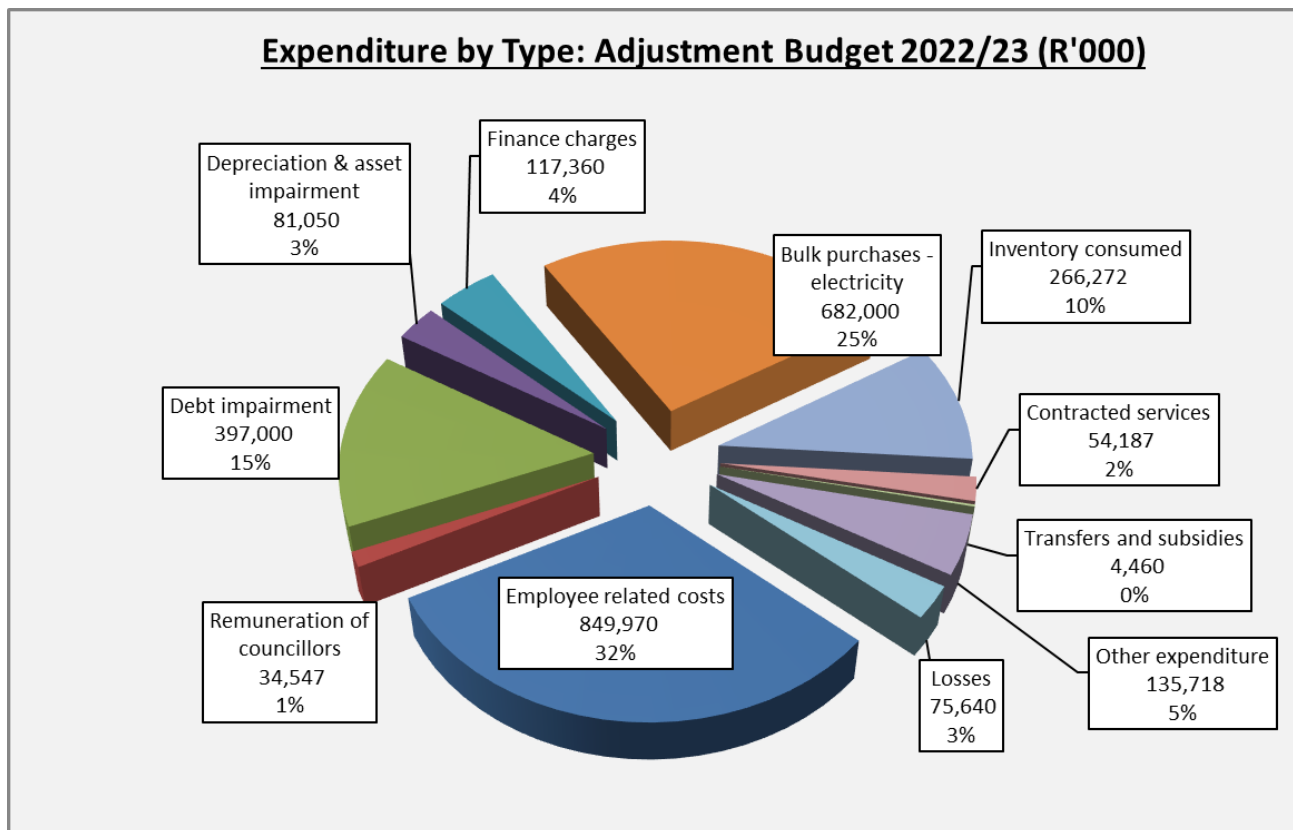
Expenditure by type	Sum of Projection Increase (Decrease)
<b>Inventory consumed</b>	<b>29,644,919</b>
Addition to gazetted allocation for Libraries	490,000
Cable theft	1,500,000
Day-to-day maintenance on Roads	2,500,000
Emergency repairs for Roodepan flats R250k, Additional Housing Maint R250k	500,000
Funding from FBDM for Environmental Health	3,500,000
Funds from FBDM - Roads	2,339,000
Funds from FBDM - Sewerage	461,000
Increase on day-to-day maintenance for Sewerage	2,500,000
Increase on fuel fleet - Sewerage	1,120,000
Increase on fuel fleet - Water	1,030,000
Increase on purification chemicals	8,400,000
Maintenance of Properties	3,800,000
Operations for CRU including security services	800,000
Savings transferred to protective clothing	(300,000)
Adjustment to Water Inventory	(13,640,000)
Deviation water & sewer leaks (R8.7m), R3m day-to-day maintenance, R2.5m for Bulk Water intervention project	14,200,000

**Other Expenditure** – Indicated in the table below is the adjustments on Other expenditure with brief explanatory notes.

Expenditure by type	Sum of Projection Increase (Decrease)
<b>Other expenditure</b>	<b>1,075,000</b>
Addition to gazetted allocation for Libraries	210,000
Increase on consultant fees for BCX	400,000
Increase on licence fees for Ignite for the Performance Management System	470,000
Printing valuation roll	210,000
Savings on telephones, portion redirected to replace non-compliant laptops	(1,500,000)
Housing Accreditation	200,000
Savings utilised	(38,000)
Insurance costs	300,000
Protective clothing	363,000
Procurement of new printer	40,000
Replacement of computers	420,000

**Water losses** - is adjusted upwards by R15,640 million to align the to projected losses of 62% at year end. Based on the year-to-date actuals, included in the adjustment is a R2,000 million for bulk purchases water.

Indicated in the chart below is the weighting of each expenditure category:



The table below indicates adjustment budget of operational expenditure by vote and functional classification for the 2022/23 MTREF. The adjustment budget assumptions had been limited to the current MTREF as the municipality is currently busy with 2023/24 MTREF which will be tabled to Council in March 2023 as per the IDP and Budget Process Plan.

To ensure an easy understanding of the movements, amounts in brackets indicate a reduction in original budget allocated, thus the final budget is expected to be lower with the amount. Budget reductions or increases are informed by year-to-date expenditure, the previous years' actuals, the progress made to date in executing programmes as planned for the year, changes in GRAP standards and the current cash flow situation.

Vote Description	Ref	Budget Year 2022/23									Budget Year +1 2023/24	Budget Year +2 2024/25
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
(Insert departmental structure etc)		A	3	4	5	6	7	8	9	10		
R thousands		A	A1	B	C	D	E	F	G	H		
<b>Expenditure by Vote</b>	1											
Vote 01 - Executive & Council		58,915	58,915	-	-	-	-	-	-	58,915	61,861	65,263
Vote 02 - Municipal And General		357,885	357,885	-	-	-	-	116,100	116,100	473,985	370,477	393,436
Vote 03 - Municipal Manager		23,528	23,528	-	-	-	-	470	470	23,998	24,705	26,064
Vote 04 - Corporate Services		74,419	74,419	-	-	-	-	-	-	74,419	77,848	81,773
Vote 05 - Community Services		297,675	297,675	-	-	-	-	4,830	4,830	302,505	318,812	337,080
Vote 06 - Financial Services		157,404	157,404	-	-	-	-	1,030	1,030	158,434	165,377	174,379
Vote 07 - Strategy Eoon Development And Planning		61,468	61,468	-	-	-	-	3,884	3,884	65,352	64,785	68,422
Vote 08 - Infrastructure And Services		1,433,833	1,433,833	-	-	-	-	106,763	106,763	1,540,596	1,557,063	1,677,855
<b>Total Expenditure by Vote</b>	2	<b>2,465,128</b>	<b>2,465,128</b>	-	-	-	-	<b>233,077</b>	<b>233,077</b>	<b>2,698,205</b>	<b>2,640,928</b>	<b>2,824,271</b>
<b>Surplus/ (Deficit) for the year</b>	2	<b>156,419</b>	<b>156,419</b>	-	-	-	-	<b>(225,459)</b>	<b>(225,459)</b>	<b>(69,039)</b>	<b>153,134</b>	<b>157,757</b>

NC091 Sol Plaatje - Table B2 Adjustments Budget Financial Performance (functional classification) - 22/02/2023

Standard Description	Ref	Budget Year 2022/23									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
			5	6	7	8	9	10	11	12		
R thousands	1, 4	A	A1	B	C	D	E	F	G	H		
<b>Expenditure - Functional</b>												
<b>Governance and administration</b>		712,851	712,851	-	-	-	-	120,930	120,930	833,781	743,381	786,852
Executive and council		428,654	428,654	-	-	-	-	116,100	116,100	544,754	444,784	471,830
Finance and administration		277,659	277,659	-	-	-	-	4,830	4,830	282,489	291,732	307,779
Internal audit		6,538	6,538	-	-	-	-	-	-	6,538	6,865	7,243
<b>Community and public safety</b>		181,961	181,961	-	-	-	-	5,530	5,530	187,491	195,476	205,815
Community and social services		43,119	43,119	-	-	-	-	700	700	43,819	49,741	52,021
Sport and recreation		53,283	53,283	-	-	-	-	630	630	53,913	55,744	58,810
Public safety		43,948	43,948	-	-	-	-	-	-	43,948	46,233	48,784
Housing		22,768	22,768	-	-	-	-	700	700	23,468	23,974	25,328
Health		18,842	18,842	-	-	-	-	3,500	3,500	22,342	19,784	20,872
<b>Economic and environmental services</b>		141,936	141,936	-	-	-	-	5,433	5,433	147,369	149,308	157,723
Planning and development		47,872	47,872	-	-	-	-	554	554	48,426	50,348	53,116
Road transport		93,326	93,326	-	-	-	-	4,879	4,879	98,205	98,186	103,790
Environmental protection		737	737	-	-	-	-	-	-	737	774	817
<b>Trading services</b>		1,402,477	1,402,477	-	-	-	-	101,184	101,184	1,503,661	1,525,542	1,645,164
Energy sources		915,683	915,683	-	-	-	-	63,600	63,600	979,283	1,010,851	1,101,097
Water management		322,469	322,469	-	-	-	-	29,603	29,603	352,072	340,077	358,491
Waste water management		93,375	93,375	-	-	-	-	8,021	8,021	101,396	98,215	103,793
Waste management		70,950	70,950	-	-	-	-	(40)	(40)	70,910	76,400	81,783
<b>Other</b>		25,903	25,903	-	-	-	-	-	-	25,903	27,221	28,718
<b>Total Expenditure - Functional</b>	3	2,465,128	2,465,128	-	-	-	-	233,077	233,077	2,698,205	2,640,928	2,824,271
<b>Surplus/ (Deficit) for the year</b>		156,419	156,419	-	-	-	-	(225,459)	(225,459)	(69,039)	153,134	157,757

The table below presents the final expenditure budget per vote after taking into consideration the movements as indicated in the adjustments by expenditure type and by functional classifications as explained above.

## 4.4 Adjustment Budget – Financial Position

NC091 Sol Plaatje - Table B6 Adjustments Budget Financial Position - 27/02/2023

Description	Ref	Budget Year 2022/23									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	+1 2023/24	+2 2024/25
R thousands		A	A1	B	C	D	E	F	G	H		
<b>ASSETS</b>												
<b>Current assets</b>												
Cash		(1,939)	(1,939)	-	-	-	-	65,979	65,979	64,040	(270,419)	(620,844)
Call investment deposits	1	-	-	-	-	-	-	-	-	-	-	-
Consumer debtors	1	2,244,736	2,244,736	-	-	-	-	(65,979)	(65,979)	2,178,758	2,596,604	2,982,256
Other debtors		418,926	418,926	-	-	-	-	-	-	418,926	435,117	441,724
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-	-
Inventory		39,322	39,322	-	-	-	-	-	-	39,322	39,323	39,323
<b>Total current assets</b>		<b>2,701,046</b>	<b>2,701,046</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,701,046</b>	<b>2,800,625</b>	<b>2,842,459</b>
<b>Non current assets</b>												
Long-term receivables		35,716	35,716	-	-	-	-	-	-	35,716	37,859	39,752
Investments		-	-	-	-	-	-	-	-	-	-	-
Investment property		208,312	208,312	-	-	-	-	-	-	208,312	210,915	213,497
Investment in Associates		-	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	1	1,795,402	1,795,402	-	-	-	-	(20,000)	(20,000)	1,775,402	1,802,002	1,845,426
Biological		-	-	-	-	-	-	-	-	-	-	-
Intangible		2,908	2,908	-	-	-	-	18,850	18,850	21,758	2,950	3,164
Other non-current assets		9,926	9,926	-	-	-	-	-	-	9,926	9,926	9,926
<b>Total non current assets</b>		<b>2,052,265</b>	<b>2,052,265</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,150)</b>	<b>(1,150)</b>	<b>2,051,115</b>	<b>2,063,652</b>	<b>2,111,765</b>
<b>TOTAL ASSETS</b>		<b>4,753,311</b>	<b>4,753,311</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,150)</b>	<b>(1,150)</b>	<b>4,752,161</b>	<b>4,864,277</b>	<b>4,954,224</b>
<b>LIABILITIES</b>												
<b>Current liabilities</b>												
Bank overdraft		-	-	-	-	-	-	-	-	-	-	-
Borrowing		-	-	-	-	-	-	-	-	-	-	-
Consumer deposits		49,224	49,224	-	-	-	-	-	-	49,224	52,152	54,760
Trade and other payables		907,727	907,727	-	-	-	-	-	-	907,727	1,015,126	1,095,493
Provisions		94,029	94,029	-	-	-	-	-	-	94,029	99,671	104,654
<b>Total current liabilities</b>		<b>1,050,980</b>	<b>1,050,980</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,050,980</b>	<b>1,166,949</b>	<b>1,254,907</b>
<b>Non current liabilities</b>												
Borrowing	1	148,630	148,630	-	-	-	-	-	-	148,630	140,429	131,589
Provisions	1	259,520	259,520	-	-	-	-	-	-	259,520	262,166	264,971
<b>Total non current liabilities</b>		<b>408,150</b>	<b>408,150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>408,150</b>	<b>402,595</b>	<b>396,560</b>
<b>TOTAL LIABILITIES</b>		<b>1,459,129</b>	<b>1,459,129</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,459,129</b>	<b>1,569,544</b>	<b>1,651,467</b>
<b>NET ASSETS</b>	2	<b>3,294,182</b>	<b>3,294,182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,150)</b>	<b>(1,150)</b>	<b>3,293,032</b>	<b>3,294,734</b>	<b>3,302,757</b>
<b>COMMUNITY WEALTH/EQUITY</b>												
Accumulated Surplus/(Deficit)		3,213,305	3,213,305	-	-	-	-	(1,150)	(1,150)	3,212,155	3,209,186	3,212,932
Reserves		80,876	80,876	-	-	-	-	-	-	80,876	85,548	89,825
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>		<b>3,294,182</b>	<b>3,294,182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,150)</b>	<b>(1,150)</b>	<b>3,293,032</b>	<b>3,294,734</b>	<b>3,302,757</b>

It is anticipated that the net community wealth will decrease to R3,2193,032 billion. Cash and cash equivalents are budgeted at R64,040 million. Budgeted Trade and other payables at R907,727 million is high which is exacerbated by the municipality's current cash flow issues. It is envisaged that Non-current assets will decrease by R1,150 million, Accumulated surplus will decrease by R1,150 million.

## 4.5 Adjustment Budget – Cash flow Position

NC091 Sol Plaatje - Table B7 Adjustments Budget Cash Flows - 27/02/2023

Description	Ref	Budget Year 2022/23									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	+1 2023/24	+2 2024/25
R thousands		A	A1	B	C	D	E	F	G	H		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>												
<b>Receipts</b>												
Property rates		533,499	533,499	-	-	-	-	(13,179)	(13,179)	520,320	559,541	585,440
Service charges		1,093,079	1,093,079	-	-	-	-	(8,795)	(8,795)	1,084,284	1,199,066	1,294,618
Other revenue		403,395	403,395	-	-	-	-	80,039	80,039	483,433	237,927	241,361
Transfers and Subsidies - Operational	1	18,959	18,959	-	-	-	-	26,764	26,764	45,723	15,390	15,840
Transfers and Subsidies - Capital	1	134,338	134,338	-	-	-	-	(20,000)	(20,000)	114,338	120,786	134,973
Interest		6,000	6,000	-	-	-	-	-	-	6,000	12,000	15,000
Dividends												
<b>Payments</b>												
Suppliers and employees		(2,039,050)	(2,039,050)	-	-	-	-	(55,827)	(55,827)	(2,094,877)	2,373,230	2,544,597
Finance charges		(38,960)	(38,960)	-	-	-	-	(78,400)	(78,400)	(117,360)	(38,488)	(37,910)
Transfers and Grants	1	(4,460)	(4,460)	-	-	-	-	-	-	(4,460)	(4,568)	(4,677)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>106,800</b>	<b>106,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(69,398)</b>	<b>(69,398)</b>	<b>37,402</b>	<b>4,474,884</b>	<b>4,789,243</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
<b>Receipts</b>												
Proceeds on disposal of PPE												
Decrease (increase) in non-current receivables		35,716	35,716	-	-	-	-	-	-	-	2,143	1,893
Decrease (increase) in non-current investments												
<b>Payments</b>												
Capital assets		(190,043)	(190,043)	-	-	-	-	1,150	1,150	(188,893)	(154,168)	(164,069)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(154,327)</b>	<b>(154,327)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,150</b>	<b>1,150</b>	<b>(188,893)</b>	<b>(152,025)</b>	<b>(162,176)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>												
<b>Receipts</b>												
Short term loans												
Borrowing long term/refinancing												
Increase (decrease) in consumer deposits												
<b>Payments</b>												
Repayment of borrowing		(9,390)	(9,390)	-	-	-	-	-	-	(9,390)	(9,878)	(10,490)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(9,390)</b>	<b>(9,390)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,390)</b>	<b>(9,878)</b>	<b>(10,490)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(56,917)</b>	<b>(56,917)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(68,248)</b>	<b>(68,248)</b>	<b>(160,881)</b>	<b>4,312,981</b>	<b>4,616,577</b>
Cash/cash equivalents at the year begin:	2	172,922	172,922	-	-	-	-	-	-	172,922	(51,013)	(328,862)
Cash/cash equivalents at the year end:	2	116,006	116,006	-	-	-	-	(68,248)	(68,248)	12,041	4,261,968	4,287,715

The adjusted cash flows are depicted in the table above. Cash receipts from Property rates and Service charges is based on an assumed average collection rate of 81%. Other revenue is overstated but due to time constraints this cannot be fixed for the Adjustment budget, but the municipality will endeavour to fix this issue for the 2023/24 Draft budget. Both Capital and Operational grants are understated. Due to changes to the mSCOA chart, the Equitable Share is not factored into the Transfers and subsidies – Operational. The mSCOA does not make provision for the European Grant to be disclosed as a capital grant, hence it is included under Operational grants. This matter will be logged with National Treasury. The Cash and cash equivalents at year end is estimated at R12,041 million but it must be aligned to the Cash as indicated on B6- Statement of Financial Position of R64,040 million. However, due to time constraints this cannot be corrected, but the municipality will endeavour to fix this issue for the 2023/24 Draft budget.

## PART 2 - SUPPORTING DOCUMENTATION

### 5. Adjustment budget assumptions

The adjustment budget assumptions are based on the original assumptions made during the preparation of the 2022/23 MTREF with adjustments based on the mid-year results.

The following are the key assumptions made in adjusting the revenue framework:

1. Increase in projected operational revenue and estimated decrease in revenue base on Council tariff increase approvals.
2. Additional operational grant funding
3. Withholding of conditional grants due to poor performance
4. The current critical financial position

With regards to the expenditure framework, adjustments were made to Employee related costs, Debt impairment, Inventory consumed, Contracted services, as well as Other expenditure. The major costs drivers at vote and trading service level had been reviewed, and major changes were identified that informed the adjustment budget.

The following principles should be applied for the adjustment budget:

- there are no additional resources available for the 2022/23 Adjustment Budget. Ideally, votes or sub-votes must not submit any requests for baseline increases, unless proof of additional external funding through grants is confirmed with the transferring department or alternatively that any additional allocations to the votes or sub-votes will need to be funded through reductions in another vote or sub-vote or through reprioritisation, within the vote's budget, or from other vote's budgets.
- Any CAPEX project planned for 2022/23 financial year funded from CRR will be reviewed to ensure that there is funding available. CAPEX funded from withdrawn conditional grants will have to be reconceptualised for both need and funding options.
- What makes this Adjustment extremely difficult is the current financial position of the municipality in conjunction with commitments that have to be factored into the budget, unless the municipality wants to recklessly incur unauthorised expenditure for the year under review which is in contravention of the MFMA.
- Increasing the current collection rate to an acceptable norm and increase the collection rate to at least 90% (NT required norm is 95%). The improved collection rate will positively contribute to the funding of the Adjustment budget as the Adjustment budget is technically unfunded from a cash flow perspective and artificially funded considering our high outstanding debtors which must be recouped as a matter of urgency.
- The municipality should also focus on implementing more permanent, long-term solutions to service delivery challenges which will not happen overnight but with improved planning and sound financial management and proven best-practices this can be achieved.

## 6. Adjustments to budget funding

Operational expenditure is mainly funded from service charges as well as other revenue sources. Operational grants contribute 10.7% to the operating revenue of the municipality. The Equitable share is utilised to fund social package granted to indigent households, and no changes had been proposed in the quantum of free basic services provided.

Internally generated funds are based on actual cash and cash equivalents from prior years with rolled over funds still available, and these are used to fund the capital expenditure budget. Only conditional grants gazetted by the province or national are considered in the adjustment budget. Unspent conditional grants at year end are applied to be rolled over into the new financial year. Once the approval is obtained, such grants form part of funding available for capital expenditure budget.

Indicated in the table below is the summary of the revenue and financing activities of the municipality for operational and capital expenditure.

Revenue and Financing source 2022/23 Adjustment Budget	Original Budget	Adjustments Increase (Decrease)	Adjustment Budget	Increase / (Decrease)	Weighting of Total Revenue & Financing
	R'000	R'000	R'000	%	%
Property Rates	627,646	(17,572)	610,074	-2.80%	22.72%
Service Charges	1,373,211	(5,060)	1,368,151	-0.37%	50.96%
Other Own Revenue	228,235	23,486	251,721	10.29%	9.38%
Transfer recognised - Operational	258,117	7,914	266,031	3.07%	9.91%
Transfer recognised - Capital	134,338	(1,150)	133,188	-0.86%	4.96%
Borrowing	-	-	-	-	0.00%
Internally generated funds	55,705	-	55,705	0.00%	2.07%
<b>Total Revenue and Financing</b>	<b>2,677,252</b>	<b>7,618</b>	<b>2,684,870</b>	<b>0.28%</b>	<b>100.00%</b>
<b>Total expenditure (Opex and Capex)</b>	<b>2,655,171</b>	<b>231,927</b>	<b>2,887,098</b>	<b>8.73%</b>	
<b>Operating Surplus (Deficit)</b>	<b>22,081</b>	<b>(224,309)</b>	<b>(202,227)</b>	<b>-1015.83%</b>	
<b>Transfer recognised - Capital</b>	<b>134,338</b>	<b>(1,150)</b>	<b>133,188</b>	<b>-0.86%</b>	
<b>Surplus (Deficit) for the year</b>	<b>156,419</b>	<b>(225,459)</b>	<b>(69,039)</b>	<b>-144.14%</b>	

The Adjustment is primarily funded by Service charges at 50.96%. A net downward adjustment on Service charges of R5,060 million was deemed necessary based on Council's reduced tariff increase approval and mid-year results. Property rates was adjusted downwards by R17,572 million and which is contributing 22.72% of the funding mix. Other own revenue constitutes 9.38% of the funding mix and was adjusted upwards with a net movement of R23,486 million. The net increase of R7,914 million on Transfer recognised – Operational was predominantly influenced by the additional funding availed by FBDM to the amount of R6,300 million and other minor grants. Transfer recognised – Capital resulted in a net downward adjustment of R1,105 million as a result of the reduction of INEP funds as per the transferring department and additional funds from the European Union. Internally generated funds remained unadjusted due to service delivery challenges that must be addressed by the municipality. This is not an ideal situation as the municipality is seriously struggling financially but is hopeful that the credit control measures implemented and engagements with departments will yield positive results in recouping a greater portion of outstanding debt. Internally generated funds are technically not cash-backed from a



cash perspective. The municipality is realising a net Operational deficit of R202,227 million, whilst the Deficit for the year is estimated at R69,039 million. It should be noted that of the R202,227 million, R100 million pertains to the necessary adjustment of Debt impairment as a result of the lower collection rate and R78,400 million for Finance charges for the interest on overdue accounts for ESKOM. Debt impairment is a non-cash item.

NC091 Sol Plaatje - Table B8 Cash backed reserves/accumulated surplus reconciliation - 27/02/2023

Description	Ref	Budget Year 2022/23									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	+1 2023/24	+2 2024/25
R thousands		A	A1	B	C	D	E	F	G	H	Adjusted Budget	Adjusted Budget
<b>Cash and investments available</b>												
Cash/cash equivalents at the year end	1	116,006	116,006	-	-	-	-	(68,248)	(68,248)	47,758	4,261,968	4,287,715
Other current investments > 90 days		(117,944)	(117,944)	-	-	-	-	134,227	134,227	16,283	(4,532,388)	(4,908,558)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>(1,939)</b>	<b>(1,939)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,979</b>	<b>65,979</b>	<b>64,040</b>	<b>(270,419)</b>	<b>(620,844)</b>
<b>Applications of cash and investments</b>												
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-	-
Statutory requirements		-	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	2	(1,462,155)	(1,462,155)	-	-	-	-	(7,584)	(7,584)	(1,469,739)	(1,443,254)	(1,685,521)
Other provisions		-	-	-	-	-	-	-	-	-	-	-
Long term investments committed		-	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments		80,876	80,876	-	-	-	-	-	-	80,876	85,548	46,154
<b>Total Application of cash and investments:</b>		<b>(1,381,278)</b>	<b>(1,381,278)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,584)</b>	<b>(7,584)</b>	<b>(1,388,863)</b>	<b>(1,357,706)</b>	<b>(1,639,367)</b>
<b>Surplus(shortfall)</b>		<b>1,379,340</b>	<b>1,379,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,563</b>	<b>73,563</b>	<b>1,452,903</b>	<b>1,087,286</b>	<b>1,018,523</b>

Other working capital requirements

Debtors	2,464,885	2,464,885								2,472,469	2,566,684	2,895,816
Creditors due	1,002,731	1,002,731								1,002,731	1,123,430	1,210,295
<b>Total</b>	<b>1,462,155</b>	<b>1,462,155</b>								<b>1,469,739</b>	<b>1,443,254</b>	<b>1,685,521</b>

Indicated in the table above, is the Cash backed reserves/accumulated surplus reconciliation, showing a surplus of R1,452,903 million.

**To fund the deficit and the Capital Replacement Reserve, the collection rate must improve exponentially and based on our Other working capital requirements with the high outstanding debtors, the budget is artificially funded.**

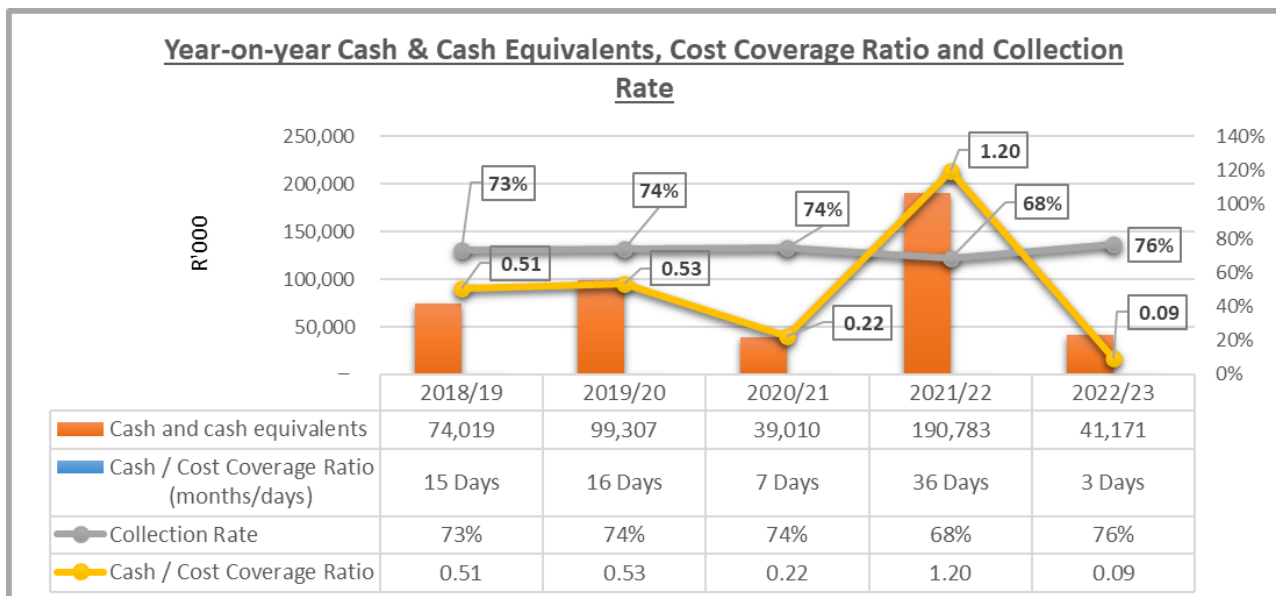
### Financial viability and sustainability

Indicated in the table below is the key financial performance indicators. The ratios clearly indicate that the municipality's overall performance and financial health has deteriorated significantly over the last few financial years and is facing severe cash flow constraints. Serious intervention is required to turn the situation around. Critical areas to that require drastic improvement are the collection rate, with a resultant increase in Cash/cash equivalents and Cost coverage ratio, reducing outstanding debt and timeous settling of creditors.

NC091 Sol Plaatje - Key financial performance indicators	Norm	2018/19	2019/20	2020/21	2021/22	2022/23
		Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome	Results Dec 2022
<b>R thousand (R'000)</b>						
Operating revenue excl Capital transfers & subsidies		1,821,660	2,037,399	2,066,493	2,249,151	1,199,427
Operating expenditure		1,863,009	1,937,694	2,161,846	2,308,662	1,061,289
Operating Surplus/(Deficit)		(41,349)	99,706	(95,353)	(59,510)	138,138
Percentage Capital expenditure	95% - 100%	89%	72%	85%	84%	20%
Percentage Conditional grant performance	95% - 100%	102%	83%	91%	95%	23%
Cash/cash equivalents at the year end		74,019	99,307	39,010	190,783	41,171
Collection rate	95%	73%	74%	74%	68%	76%
Cash/Cost coverage ratio	1 - 3 Months	0.51	0.53	0.22	1.20	0.09
Cash / Cost Coverage Ratio (months/days)	1 - 3 Months	15 Days	16 Days	7 Days	36 Days	3 Days
Debt to revenue ratio	45%	10%	9%	9%	7%	15%
Current ratio (Current Assets / Current Liabilities)	1.5 - 2:1	3.65	3.05	2.65	1.83	2.16
Net outstanding debtors		1,183,730	1,308,633	1,405,644	1,644,623	1,807,336
Net Debtors Days	30 days	305 days	298 days	316 days	344 days	689 days
Outstanding creditors (Trade creditors)		220,987	340,066	416,521	972,148	924,742
Creditors Payment Period (Trade Creditors)	30 days	77 days	118 days	139 days	289 days	694 days

Indicated in the chart below is the year-on-year Cash and cash equivalents, Cost coverage ratio and collection rate. It is a year-on-year comparison of the audited outcomes and current status as 31 December 2022.

Cash and cash equivalents on average were below R100 million. There was an improvement on the Cash and cash equivalents for the year ended 30 June 2022, due to Equitable Share that the municipality was saving to try and build up some reserve. Based on the municipality's current monthly expenditure commitments estimated at R188 million, a healthy cash position of at least R564 million is required to have a comfortable Cost coverage ratio of 3 months, whilst this will increase during the high billing months for ESKOM from June to August each year when our billing effectively doubles. The collection rate is well below the norm of 95%.



**The main reasons for the decline in Cash and cash equivalents:**

- the lower collection rate
- increased capital expenditure, especially increase in CRR funding year-on-year
- non-implementation of the basic charge for 2018/19

- the impact of the Covid-19 pandemic, especially in relation to the bulk blocking of prepaid electricity meters
- increase in bulk purchases
- operational expenditure, including excessive expenditure on Overtime and EPWP
- variation orders on contracts
- Increase in deviations
- excessive water and electricity losses
- Interest charged on overdue accounts for specifically, ESKOM and Waterboards, resulting in an escalation of Fruitless and Wasteful Expenditure

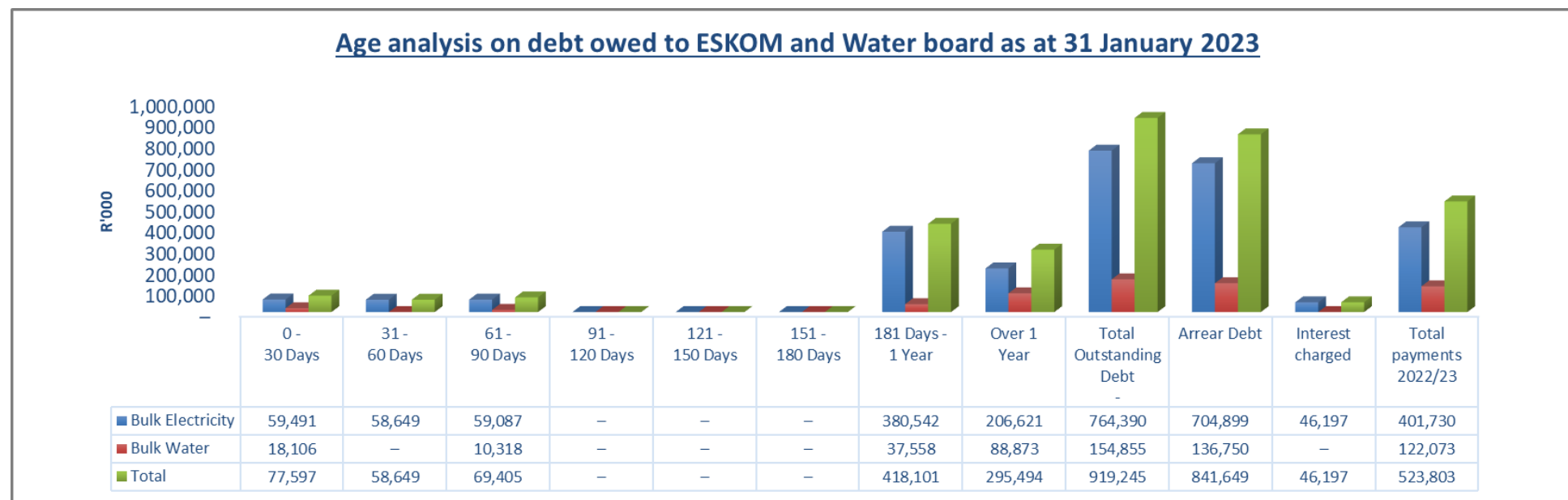
### Outstanding debtors and creditors

Indicated in the table below is the summary of key performance indicators pertaining to outstanding debtors and creditors. The ratios are not looking good and clearly demonstrate the critical financial challenges. Gross debtors including debt over 90 days has been escalating year-on-year, whilst same trend can be seen for creditors. Net debtors' days and net creditor days have increased alarming over the 5-year period.

NC091 Sol Plaatje - Key financial performance indicators		2018/19	2019/20	2020/21	2021/22	2022/23
R thousand (R'000)	Norm	Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome	Results Dec 2022
Net outstanding debtors		1,183,730	1,308,633	1,405,644	1,644,623	1,807,336
Net Debtors Days	30 days	<b>305 days</b>	<b>298 days</b>	<b>316 days</b>	<b>344 days</b>	<b>689 days</b>
Outstanding Gross debtors		2,417,865	2,429,732	2,515,096	3,029,785	3,190,215
Gross debtors (90+ days)		2,143,442	2,091,607	2,166,630	2,644,843	2,876,144
Debt over 90+ days as a % of Gross debtors		89%	86%	86%	87%	90%
Bad debts written Off		56,000	403,262	330,209	35,270	64,914
Outstanding creditors (Trade creditors)		220,987	340,066	416,521	972,148	924,742
Creditors Payment Period (Trade Creditors)	30 days	<b>77 days</b>	<b>118 days</b>	<b>139 days</b>	<b>289 days</b>	<b>694 days</b>

## Debt owed to Eskom and DWS

As at 31 January 2023, the outstanding debt owed to Eskom amounted to R764,390 million, whilst the municipality owed DWS an amount of R154,855 million. Payments made to Eskom from July 2022 to January 2023 amounted to R401,730 million and DWS amounted to R122,073 million. Interest charges for Eskom amounted to R46,197 million, whilst no interest was charged by DWS because the municipality is participating in the Department Debt Incentive scheme that allows for the suppression of interest, provided the municipality adheres to the terms and conditions as per the draft payment arrangement. The municipality is awaiting the final approval from DWS. The municipality also submitted a repayment proposal to Eskom of which we are still awaiting approval. The current arrangement in place with Eskom that the municipality must commit to settle the monthly current account but since December 2022 the municipality defaulted on this arrangement and made partial payments due to cash flow constraints. This has put our relationship with Eskom in jeopardy and therefore they will not even consider suppressing the interest and have issued a notice of disconnection. To address these urgent issues which can have severe repercussions for the municipality it is paramount that the cash collections improve drastically.



## 7. Adjustments to expenditure allocations and grant programme

NC091 Sol Plaatje - Supporting Table SB7 Adjustments Budget - transfers and grant receipts - 22/02/2023

Description	Ref	Budget Year 2022/23							Budget Year	Budget Year
		Original	Prior	Multi-year	Nat. or Prov.	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	capital	Govt	Adjus.	Adjus.	Budget	Budget	Budget
		A	7	8	9	10	11	12		
		A	A1	B	C	D	E	F		
<b>R thousands</b>										
<b>RECEIPTS:</b>	1,2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		250,317	250,317	-	-	-	-	250,317	265,366	285,951
Local Government Equitable Share										
Equitable Share	3	239,158	239,158	-	-	-	-	239,158	258,166	278,751
Expanded Public Works Programme Integrated Grant		3,959	3,959	-	-	-	-	3,959	-	-
Infrastructure Skills Development Grant		5,500	5,500	-	-	-	-	5,500	5,500	5,500
Local Government Financial Management Grant		1,700	1,700	-	-	-	-	1,700	1,700	1,700
Municipal Disaster Relief Grant		-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant		-	-	-	-	-	-	-	-	-
Municipal Systems Improvement Grant		-	-	-	-	-	-	-	-	-
<b>Provincial Government:</b>		7,800	7,800	-	-	7,914	7,914	15,714	8,190	8,640
Capacity Building and Other Grants		7,800	7,800	-	-	1,614	1,614	9,414	8,190	8,640
Infrastructure Grant		-	-	-	-	6,300	6,300	6,300	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
European Union		-	-	-	-	-	-	-	-	-
Higher Education SA (HESA)		-	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	6	258,117	258,117	-	-	7,914	7,914	266,031	273,556	294,591
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		134,338	134,338	-	-	(20,000)	(20,000)	114,338	120,786	134,973
Energy Efficiency and Demand Side Management Grant		4,000	4,000	-	-	-	-	4,000	4,000	4,000
Integrated National Electrification Programme Grant		40,000	40,000	-	-	(20,000)	(20,000)	20,000	20,000	20,898
Integrated Urban Development Grant		70,390	70,390	-	-	-	-	70,390	59,018	61,508
Municipal Infrastructure Grant		-	-	-	-	-	-	-	-	-
Neighbourhood Development Partnership Grant		-	-	-	-	-	-	-	20,000	30,000
Regional Bulk Infrastructure Grant		-	-	-	-	-	-	-	-	-
Water Services Infrastructure Grant		19,948	19,948	-	-	-	-	19,948	17,768	18,567
<b>Provincial Government:</b>		-	-	-	-	-	-	-	-	-
Infrastructure Grant		-	-	-	-	-	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
Specify (Add grant description)		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	-	18,850	18,850	18,850	-	-
[insert description]		-	-	-	-	-	-	-	-	-
European Union		-	-	-	-	18,850	18,850	18,850	-	-
<b>Total Capital Transfers and Grants</b>	6	134,338	134,338	-	-	(1,150)	(1,150)	133,188	120,786	134,973
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		392,455	392,455	-	-	6,764	6,764	399,219	394,342	429,564

Operational grants increased by R7,914 million. An amount of R6,300 million was allocated from Frances Baard District Municipality. Of this allocation, R2,800 million was allotted for Sewerage and Roads. Maintenance, whilst R3,500 million was for Environmental health services. The LED unit will spend rollover funds of R84 thousand in relation to an EPWP project funded by the Dept of Economic Development & Tourism. Resorts received R630 thousand for an EPWP project funded by the Dept of Economic Development & Tourism. The municipality adjusted the Library grant by R700 thousand to align it to the provincial gazette. There is mapping errors for provincial grants and district municipality, but the municipality will take this up with our service provider.

Capital grant adjustments pertains to the reduction INEP funding amounting to R20,000 million. The municipality received R18,850 million from the European Union in respect of the Business Expansion Attraction Retention (BEAR) project.

## 8. Adjustments to allocations and grants made by the municipality

NC091 Sol Plaatje - Supporting Table SB10 Adjustments Budget - transfers and grants made by the municipality - 22/02/2023

Description	Ref	Budget Year 2022/23									Budget Year +1 2023/24	Budget Year +2 2024/25
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H		
<b>Cash transfers to other Organisations</b>												
<i>Non-Prof.Oth Inst/Grants&amp;Don Diam &amp; Dor</i>	4	-	-	-	-	-	-	-	-	-	-	-
<i>Non-Prof.Oth Inst/Grants&amp;Don Oth Pub Gra</i>		2,000	2,000	-	-	-	-	-	-	2,000	2,000	2,000
<i>Non-Prof.Oth Institut/Gariep</i>		-	-	-	-	-	-	-	-	-	-	-
<i>Non-Prof.Oth Institut/Sport Council</i>		-	-	-	-	-	-	-	-	-	-	-
<i>Non-Prof.Other Institutions/Spca</i>		2,300	2,300	-	-	-	-	-	-	2,300	2,400	2,500
		-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL CASH TRANSFERS TO OTHER ORGANISATIONS:</b>		<b>4,300</b>	<b>4,300</b>	-	-	-	-	-	-	<b>4,300</b>	<b>4,400</b>	<b>4,500</b>
<b>TOTAL CASH TRANSFERS</b>	5	<b>4,300</b>	<b>4,300</b>	-	-	-	-	-	-	<b>4,300</b>	<b>4,400</b>	<b>4,500</b>

No adjustment to grants made by the municipality.

## 9. Adjustments to Councillor allowances and Employee benefits

### 9.1 Adjustments to Councillor Benefits and Employee benefits

Councillor's Remuneration was not adjusted for the period under review. However, allocation errors per line item was corrected via virements done on the system. Employee related costs have been adjusted downwards by R567 thousand for the EPWP project workers, funded from Department of Economic Development and Tourism. Transfers/virements between line items were made to correct budgetary allocations.

NC091 Sol Plaatje - Supporting Table SB11 Adjustments Budget - councillor and staff benefits - 22/02/2023

Summary of remuneration	Ref	Budget Year 2022/23									% change
		Original Budget A	Prior Adjusted 5 A1	Accum. Funds 6 B	Multi-year capital 7 C	Unfore. Unavoid. 8 D	Nat. or Prov. Govt 9 E	Other Adjusts. 10 F	Total Adjusts. 11 G	Adjusted Budget 12 H	
<b>R thousands</b>											
<b>Councillors (Political Office Bearers plus Other)</b>											
Basic Salaries and Wages											
Pension and UIF Contributions		-	-					860	860	860	#DIV/0!
Medical Aid Contributions		-	-					390	390	390	#DIV/0!
Motor Vehicle Allowance											
Cellphone Allowance		3,243	3,243					40	40	3,283	
Housing Allowances		-	-					-	-	-	
Other benefits and allowances		31,305	31,305					(1,290)	(1,290)	30,015	
<b>Sub Total - Councillors</b>		<b>34,547</b>	<b>34,547</b>					<b>-</b>	<b>-</b>	<b>34,547</b>	<b>0.0%</b>
% increase											
<b>Senior Managers of the Municipality</b>											
Basic Salaries and Wages		8,853	8,853	-				(7)	(7)	8,846	-0.1%
Pension and UIF Contributions		1,209	1,209	-				(10)	(10)	1,199	-0.8%
Medical Aid Contributions		253	253	-				10	10	263	4.0%
Overtime											
Performance Bonus											
Motor Vehicle Allowance		1,939	1,939	-						1,939	0.0%
Cellphone Allowance		202	202	-						202	0.0%
Housing Allowances		42	42	-				7	7	49	
Other benefits and allowances		77	77	-						77	
Payments in lieu of leave											
Long service awards		65	65	-						65	0.0%
Post-retirement benefit obligations	5										
<b>Sub Total - Senior Managers of Municipality</b>		<b>12,640</b>	<b>12,640</b>					<b>-</b>	<b>-</b>	<b>12,640</b>	<b>0.0%</b>
% increase											
<b>Other Municipal Staff</b>											
Basic Salaries and Wages		464,246	464,246	-				(5,349)	(5,349)	458,897	-1.2%
Pension and UIF Contributions		77,509	77,509	-				(881)	(881)	76,628	-1.1%
Medical Aid Contributions		58,279	58,279	-				944	944	59,223	1.6%
Overtime		39,796	39,796	-				1,386	1,386	41,182	3.5%
Performance Bonus		36,221	36,221	-				449	449	36,670	
Motor Vehicle Allowance		51,296	51,296	-				(629)	(629)	50,667	-1.2%
Cellphone Allowance		1,415	1,415	-				231	231	1,646	16.3%
Housing Allowances		2,895	2,895	-				60	60	2,955	
Other benefits and allowances		28,018	28,018	-				3,451	3,451	31,469	
Payments in lieu of leave		15,000	15,000	-						15,000	0.0%
Long service awards		23,189	23,189	-				906	906	24,096	3.9%
Post-retirement benefit obligations	5	38,900	38,900	-						38,900	0.0%
<b>Sub Total - Other Municipal Staff</b>		<b>836,763</b>	<b>836,763</b>					<b>567</b>	<b>567</b>	<b>837,330</b>	<b>0.1%</b>
% increase											
<b>Total Parent Municipality</b>		<b>883,950</b>	<b>883,950</b>					<b>567</b>	<b>567</b>	<b>884,517</b>	<b>0.1%</b>



## **10. Adjustments to Service Delivery and Budget Implementation**

The audit of reporting on predetermined objectives takes place on an annual basis as part of the regulatory audit process. The criteria against which the reporting is measured are as follows:

- Usefulness of information
- Reliability of information

In addition to the above criteria, the compliance with relevant laws and regulations pertaining to the reporting on predetermined objectives is also audited and reported on in the final management report issued by the Office of the Auditor General.

The municipality must make every effort to ensure that the submitted Annual Performance Report contains information that is accurate and complete, and that requires no audit-related changes.

The alignment between the capital budget of the municipality and the service delivery and budget implementation reporting is of the utmost importance.

The SDBIP is also directly affected by the adjustments made in the budget, in as far as outputs and outcomes are concerned. It is for this reason that the Adjusted SDBIP is submitted. A detailed SDBIP is included in Annexure B – Adjusted SDBIP targets.

### **10.1 ADJUSTMENT OF PRE-DETERMINED OBJECTIVES**

The Top-Layer SDBIP has been reviewed to ensure that the pre-determined objectives indicated as key performance indicators are specific, measurable, achievable, realistic and time-bound. Efforts have also been made to define the KPI itself to avoid ambiguities during the assessment period, the unit of measurement as well as the frequency of measurement.

Indicated in Annexure B is the Adjusted 2022/23 top layer SDBIP service delivery quarterly targets per key performance area.

## 11. Adjustments to Capital expenditure

The capital budget of the municipality comprises of various projects that are aimed at refurbishing and upgrading the existing service delivery infrastructure as well as creation of new infrastructure to meet current and future demand.

On an annual basis, the IDP of the municipality is reviewed with an intent to agree on programmes and projects identified for implementation during a three-year period as per the Budget Reporting Regulations requirements.

At the project planning stage, it may be anticipated that the project will be implemented over a single or multi-year with projected start and completion date. It also happens that during the implementation of the project, unforeseen and other contingencies lead to project delays or change of scope, thus resulting in project plan being amended to accommodate all the above circumstances.

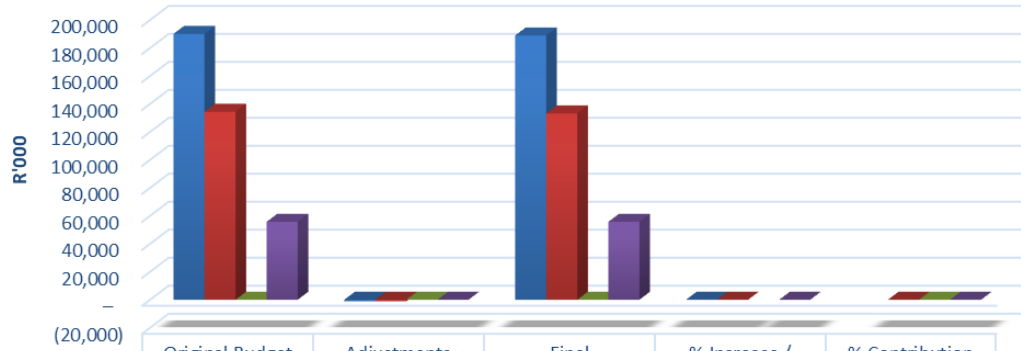
New funds also become available during the course of the financial year, after the approval of the MTREF, and for these to be incorporated into the capital budget of the municipality, and adjustment of capital expenditure budget becomes necessary. Funds being withheld due to poor performance also needs to be factored into the adjusted budget.

The municipality received a proposed stopping letter in terms of Section 18 of 2022 DoRA from National Treasury, indicating that funds to be withheld for under-performance/non-compliance for WSIG (R7.9m) and INEP (R18m). The letter was received on 20 February 2023 and the municipality has seven days to provide a written response as outlined by National Treasury. The WSIG was not amended, however prior to receiving the communication, the Department of Minerals and Energy informed the municipality that they are withholding R20 million of the allocation.

It is for these, and other reasons as will be elaborated on that the capital expenditure budget is adjusted.

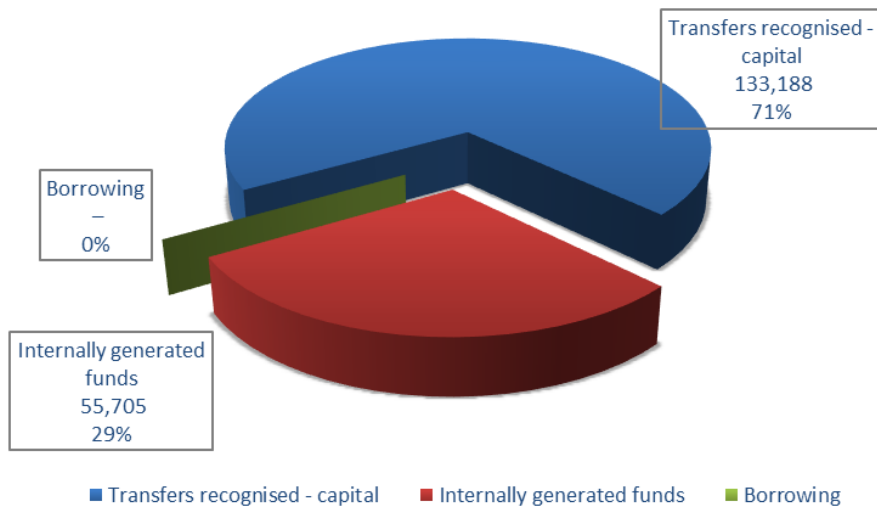
NC091 Sol Plaatje - Table B1 Adjustments Budget Summary - 22/02/2023											
Description	Budget Year 2022/23									Budget Year +1	Budget Year +2
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	A1	B	C	D	E	F	G	H		
<b>Capital expenditure &amp; funds sources</b>											
Capital expenditure	190,043	190,043	-	-	-	-	(1,150)	(1,150)	188,893	154,168	164,069
Transfers recognised - capital	134,338	134,338	-	-	-	-	(1,150)	(1,150)	133,188	120,786	134,973
Borrowing	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	55,705	55,705	-	-	-	-	-	-	55,705	33,382	29,096
<b>Total sources of capital funds</b>	<b>190,043</b>	<b>190,043</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,150)</b>	<b>(1,150)</b>	<b>188,893</b>	<b>154,168</b>	<b>164,069</b>

### Adjusted Capital Expenditure per Funding source - 2022/23



	Original Budget	Adjustments Increase (Decrease)	Final Adjustment Budget	% Increase / (Decrease)	% Contribution
Total Capital expenditure	190,043	(1,150)	188,893	-0.61%	
Transfer recognised - Capital	134,338	(1,150)	133,188	-0.86%	70.51%
Borrowing	–	–	–		0.00%
Internally generated funds	55,705	–	55,705	0.00%	29.49%

### Funding source: Adjusted Capital Budget 2022/23 (R'000)

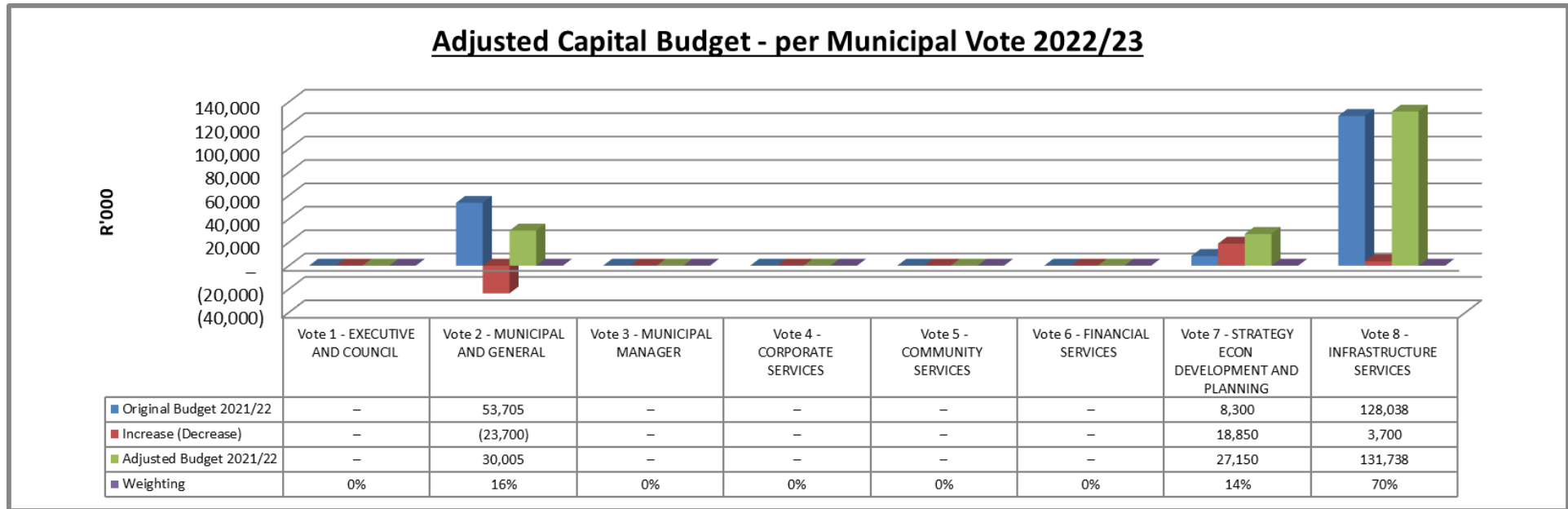


The table and charts above, provides a summary of the capital expenditure budget and the sources of funds. The approved capital budget for the 2022/23 MTREF is R190,043 million. This budget is adjusted downwards by R1,150 million funded from Capital Grants and Subsidies recognised of R133,188 million (71%) and internally generated funds to the amount of R55,705 million (29%). Transfers recognised – capital decreased by R1,150 million which constitutes a decrease 0.86%. Internally generated funds remained unchanged. The final capital expenditure budget amounts to R188,893 million.

NC091 Sol Plaatje - Table B5 Adjustments Capital Expenditure Budget by vote and funding - 22/02/2023												
Description	Ref	Budget Year 2022/23									Budget Year +1 2023/24	Budget Year +2 2024/25
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		5	6	7	8	9	10	11	12			
R thousands		A	A1	B	C	D	E	F	G	H		
<b>Capital expenditure - Vote</b>												
<b>Multi-year expenditure to be adjusted</b>	2											
Vote 01 - Executive & Council		-	-	-	-	-	-	-	-	-	-	
Vote 02 - Municipal And General		40,405	40,405	-	-	-	-	(23,700)	(23,700)	16,705	46,882	
Vote 03 - Municipal Manager		-	-	-	-	-	-	-	-	-	-	
Vote 04 - Corporate Services		-	-	-	-	-	-	-	-	-	-	
Vote 05 - Community Services		-	-	-	-	-	-	-	-	-	-	
Vote 06 - Financial Services		-	-	-	-	-	-	-	-	-	-	
Vote 07 - Strategy Econ Development And Planning		8,300	8,300	-	-	-	-	18,850	18,850	27,150	-	
Vote 08 - Infrastructure And Services		79,038	79,038	-	-	-	-	20,700	20,700	99,738	77,786	
<b>Capital multi-year expenditure sub-total</b>	3	<b>127,743</b>	<b>127,743</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,850</b>	<b>15,850</b>	<b>143,593</b>	<b>124,668</b>	
<b>Single-year expenditure to be adjusted</b>	2											
Vote 01 - Executive & Council		-	-	-	-	-	-	-	-	-	-	
Vote 02 - Municipal And General		13,300	13,300	-	-	-	-	-	-	13,300	5,500	
Vote 03 - Municipal Manager		-	-	-	-	-	-	-	-	-	-	
Vote 04 - Corporate Services		-	-	-	-	-	-	-	-	-	-	
Vote 05 - Community Services		-	-	-	-	-	-	-	-	-	-	
Vote 06 - Financial Services		-	-	-	-	-	-	-	-	-	-	
Vote 07 - Strategy Econ Development And Planning		-	-	-	-	-	-	-	-	-	-	
Vote 08 - Infrastructure And Services		49,000	49,000	-	-	-	-	(17,000)	(17,000)	32,000	24,000	
<b>Capital single-year expenditure sub-total</b>		<b>62,300</b>	<b>62,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,000)</b>	<b>(17,000)</b>	<b>32,000</b>	<b>29,500</b>	
<b>Total Capital Expenditure - Vote</b>		<b>190,043</b>	<b>190,043</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,150)</b>	<b>(1,150)</b>	<b>188,893</b>	<b>154,168</b>	

The budget is committed to a list of identified projects as per supporting table SB19 as per Annexure A. Multi-year projects have been adjusted upwards by R15,850 million whilst single year projects have been adjusted downwards by R17,000 million. The majority of funds are for the implementation of multi-year expenditure with a total of value of R143,593 million.

Indicated in the chart below is the adjustment to capex per Municipal Vote.



The municipal fiscal planning centres around allocation of budget per vote, and these are linked to SDF, the IUDF, the Key Performance Areas and the Municipal Strategic Objectives as contained in the IDP. The Senior Managers are responsible for timely and cost-effective delivery projects within the approved budgets and/or amounts awarded at as per the supply chain processes of acquisition and contracts management. Adjustments were done under Vote 2 – Municipal and general with a net downward adjustment of R23,700 million. Vote 7 – Strategy, Economic Development and Planning was adjusted upwards by R18,850 million. Vote 8 – Infrastructure services was adjusted upwards by R3,700 and it constitutes 70% of the total adjusted capital budget.

Indicated in the table below are the projects that were adjusted per Municipal vote.

Municipal vote per project (R'000)	Sum of Original Budget	Sum of Adjustments	Sum of Adjustment Budget
<b>Vote 02 - Municipal And General</b>	<b>53,705</b>	<b>(23,700)</b>	<b>30,005</b>
ACQ-COMPUTER EQUIPMENT REPLACEMENT	11,300	–	11,300
ACQ-FLEET REPLACEMENT	35,405	(23,700)	11,705
ACQ-FURNITURE AND OFFICE EQUIP REPLACEM	2,000	–	2,000
TOWNSHIP ESTABLISHMENT VARIOUS WARDS	5,000	–	5,000
<b>Vote 07 - Strategy Econ Development And Planning</b>	<b>8,300</b>	<b>18,850</b>	<b>27,150</b>
CRAVEN STREET TRADE CENTRE	8,300	–	8,300
EUROPEAN UNION BEAR PROJECT	–	18,850	18,850
<b>Vote 08 - Infrastructure And Services</b>	<b>128,038</b>	<b>3,700</b>	<b>131,738</b>
ACQ - CARTERS GLEN SEWER PUMP STATION	19,948	–	19,948
CAPITAL SPARES-ACQ-PREPAID METERS	2,000	–	2,000
DSITRBUTION-ACQ-WAT METER REPLACEME	2,000	–	2,000
ELECTRIFICATION LERATO PARK	–	13,000	13,000
ELEVATED WATER TANKS DISTRIBUTION	1,000	–	1,000
HV SUB ACQ-CARTGLEN TRANSF/GALASH SUBS	7,000	–	7,000
INSTALL VSD'S AT NEWTON RESEVIOR	1,000	(1,000)	–
LERATOPARK SEWER UPGRAD DOWNSTREAM INFRA	21,090	–	21,090
NW ACQ - ELE CTR LERATO PARK	33,000	(20,000)	13,000
P-CIER RDS ROAD STRUCTURE/R31	–	7,700	7,700
P-CIER RDS ROADS	15,000	–	15,000
P-CIER SWA ATTENUATION/THLAGENG	–	3,000	3,000
RECONSTRUCTION OLD SINK TOILETS PHASE 1	1,000	–	1,000
STREET LIGHTS REPLACE 125W MV with 36W L	3,000	1,000	4,000
UPGRADE GRAVEL ROADS WARDS VARIOUS	12,000	–	12,000
WATER PIPES REFURB PROG VARIOUS WARDS	10,000	–	10,000
<b>Grand Total</b>	<b>190,043</b>	<b>(1,150)</b>	<b>188,893</b>

The table below represent capital expenditure budget by functional classification.

NC091 Sol Plaatje - Table B5 Adjustments Capital Expenditure Budget by vote and funding - 22/02/2023													
Description	Ref	Budget Year 2022/23									Budget Year +1 2023/24		Budget Year +2 2024/25
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget	
R thousands		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H			
<b>Capital Expenditure - Functional</b>													
<b>Governance and administration</b>		53,705	53,705	–	–	–	–	(23,700)	(23,700)	30,005	52,382	58,096	
Executive and council		53,705	53,705	–	–	–	–	(23,700)	(23,700)	30,005	52,382	58,096	
Finance and administration		–	–	–	–	–	–	–	–	–	–	–	
Internal audit		–	–	–	–	–	–	–	–	–	–	–	
<b>Community and public safety</b>		–	–	–	–	–	–	–	–	–	–	–	
Community and social services		–	–	–	–	–	–	–	–	–	–	–	
Sport and recreation		–	–	–	–	–	–	–	–	–	–	–	
Public safety		–	–	–	–	–	–	–	–	–	–	–	
Housing		–	–	–	–	–	–	–	–	–	–	–	
Health		–	–	–	–	–	–	–	–	–	–	–	
<b>Economic and environmental services</b>		35,300	35,300	–	–	–	–	29,550	29,550	64,850	30,000	30,000	
Planning and development		8,300	8,300	–	–	–	–	18,850	18,850	27,150	–	–	
Road transport		27,000	27,000	–	–	–	–	10,700	10,700	37,700	30,000	30,000	
Environmental protection		–	–	–	–	–	–	–	–	–	–	–	
<b>Trading services</b>		101,038	101,038	–	–	–	–	(7,000)	(7,000)	94,038	71,768	75,973	
Energy sources		46,000	46,000	–	–	–	–	(7,000)	(7,000)	39,000	26,000	26,898	
Water management		13,000	13,000	–	–	–	–	–	–	13,000	28,018	30,508	
Waste water management		42,038	42,038	–	–	–	–	–	–	42,038	17,768	18,567	
Waste management		–	–	–	–	–	–	–	–	–	–	–	
<b>Other</b>		–	–	–	–	–	–	–	–	–	–	–	
<b>Total Capital Expenditure - Functional</b>	3	190,043	190,043	–	–	–	–	(1,150)	(1,150)	188,893	154,168	164,069	

From the total budget, R94,038 million is allocated to Trading services, with Electricity receiving R39,000 million, Water management R15,000 million and Wastewater management R42,038 million. Executive and Council R30,005 million and Economic and environmental services R64,850 million. These infrastructure assets are critical for service delivery and revenue generation capabilities of the municipality and also attract investment as result of available capacity and state of infrastructure.

Indicated in the table below is a list of capital projects per funding source.

Project per funding source (Rand)	Sum of Original Budget	Sum of Adjustments	Sum of Adjustment Budget
<b>EEDSM (ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT GRANT)</b>	<b>4,000,000</b>	-	<b>4,000,000</b>
INSTALL VSD'S AT NEWTON RESEVIOR	1,000,000	- 1,000,000	-
STREET LIGHTS REPLACE 125W MV with 36W L	3,000,000	1,000,000	4,000,000
<b>EUROPEAN UNION</b>	-	<b>18,850,000</b>	<b>18,850,000</b>
EUROPEAN UNION BEAR PROJECT	-	18,850,000	18,850,000
<b>INEP (INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME GRANT)</b>	<b>40,000,000</b>	- <b>20,000,000</b>	<b>20,000,000</b>
HV SUB ACQ-CARTGLEN TRANSF/GALASH SUBS	7,000,000	-	7,000,000
NW ACQ - ELE CTR LERATO PARK	33,000,000	- 20,000,000	13,000,000
<b>INTERNALLY GENERATED FUNDS</b>	<b>55,705,000</b>	-	<b>55,705,000</b>
ACQ-COMPUTER EQUIPMENT REPLACEMENT	11,300,000	-	11,300,000
ACQ-FLEET REPLACEMENT	35,405,000	- 23,700,000	11,705,000
ACQ-FURNITURE AND OFFICE EQUIP REPLACEM	2,000,000	-	2,000,000
CAPITAL SPARES-ACQ-PREPAID METERS	2,000,000	-	2,000,000
DSITRBUTION-ACQ-WAT METER REPLACEME	2,000,000	-	2,000,000
ELECTRIFICATION LERATO PARK	-	13,000,000	13,000,000
P-CIER RDS ROAD STRUCTURE/R31	-	7,700,000	7,700,000
RECONSTRUCTION OLD SINK TOILETS PHASE 1	1,000,000	-	1,000,000
TOWNSHIP ESTABLISHMENT VARIOUS WARDS	2,000,000	-	2,000,000
P-CIER SWA ATTENUATION/THLAGENG	-	3,000,000	3,000,000
<b>IUDG (INTEGRATED URBAN DEVELOPMENT GRANT)</b>	<b>70,390,000</b>	-	<b>70,390,000</b>
CRAVEN STREET TRADE CENTRE	8,300,000	-	8,300,000
ELEVATED WATER TANKS DISTRIBUTION	1,000,000	-	1,000,000
LERATOPARK SEWER UPGRAD DOWNSTREAM INFRA	21,090,000	-	21,090,000
P-CIER RDS ROADS	15,000,000	-	15,000,000
TOWNSHIP ESTABLISHMENT VARIOUS WARDS	3,000,000	-	3,000,000
UPGRADE GRAVEL ROADS WARDS VARIOUS	12,000,000	-	12,000,000
WATER PIPES REFURB PROG VARIOUS WARDS	10,000,000	-	10,000,000
<b>WSIG (WATER SERVICES INFRASTRUCTURE GRANT)</b>	<b>19,948,000</b>	-	<b>19,948,000</b>
ACQ - CARTERS GLEN SEWER PUMP STATION	19,948,000	-	19,948,000
<b>Grand Total</b>	<b>190,043,000</b>	- <b>1,150,000</b>	<b>188,893,000</b>



Indicated in the table below is the summary of movement per funding source.

Project per funding source (Rand)	Sum of Original Budget	Sum of Adjustments	Sum of Adjusted Budget
EEDSM (ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT GRANT)	4,000,000	-	4,000,000
EUROPEAN UNION	-	18,850,000	18,850,000
INEP (INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME GRANT)	40,000,000	- 20,000,000	20,000,000
INTERNALLY GENERATED FUNDS	55,705,000	-	55,705,000
IUDG (INTEGRATED URBAN DEVELOPMENT GRANT)	70,390,000	-	70,390,000
WSIG (WATER SERVICES INFRASTRUCTURE GRANT)	19,948,000	-	19,948,000
<b>Grand Total</b>	<b>190,043,000</b>	<b>- 1,150,000</b>	<b>188,893,000</b>

## Adjustment Budget Estimate Proposal – Capital expenditure

### INEP (INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME GRANT)

Department of Minerals Resources and Energy have indicated that our allocation will be reduced to R20 million due to slow inception and progress of projects.

### EEDSM (ENERGY EFFICIENCY DEMAND SIDE MANAGEMENT)

The disposal of replaced street bulbs became an environmental risk. Therefore, more funds were needed to facilitate a contractor that would do so without harming the environment.

### EUROPEAN UNION

Additional funding from the European Union for the Business Expansion Attraction and Retention (BEAR) Project

### INTERNALLY GENERATED FUNDS

An amount of R23 700 000 have been redirected from the Fleet Replacement Programme, as critical projects had to be addressed. The municipality could not proceed with the 2022/23 electrification project, unless the backlog of 2021/22 has been completed. This necessitated the allocation of R13 000 000 towards electrification of Lerato Park. The R31 is prioritised, to avoid the recurring overflows and road damage. Thlageng dam needed strengthening of the walls, as with heavy rains it overflows and damages properties in that vicinity.

### Project (Capital Expenditure) Risks

Due to the inherent risk that Capital Projects needs a dedicated contractor because of the tantamount of work. Procurement processes is vital for this process. Recent experience has proven that procurement plans, and specifications are not prepared in time and thus delays inception of projects.

As of 24 February 2023, capital expenditure stands at 24%. Planning and surveying appointment only happened in November 2022. There is no movement on Reconstruction of Sink Toilets. Procurement processes are not completed for Elevated Tanks and Water Pipes Refurbishment. The newly appointed contractor on Carters Glen Sewer Pumpstation only started after December 2022 construction break.

## **11. Conclusion**

Overall, the municipality is performing well in respect of mSCOA reporting compliance onto GoMuni. Some minor misalignment issues were identified with mSCOA and data strings, specifically pertaining to Cash flow and Statement of Financial Position which the municipality is trying to resolve. The outcome of the 2022/23 Mid-year engagement emphasised the fact that the mSCOA Steering committee must become more functional, a full gap analysis will have to be performed in terms of the 15 business processes and mSCOA is now included as a standing item on the SLA meetings with our service provider.

The municipality's is experiencing some serious difficulties in respect of financial viability. This can only be countered through a collective effort of revising expenditure patterns by being prudent and conservative and truly consider the prioritisation of key objectives. Employing various means to collect outstanding debt and improving the collection rate. And ultimately creating a committed payment culture, which starts with the municipality. In order for the municipality to thrive, overall performance must improve, the quality of services rendered must improve, accountability must be enforced, ensure that acts, regulations and policies are adhered to, enhance revenue collection and operational and capital funds are spent effectively with good value for money.

The onus is on the Executive Mayor and the Municipal Manager to ensure that this budget is implemented and delivers the expected outcomes as per the adjusted SDBIP which is included in Annexure B.

## **12. Other Supporting Documentation**

Summary of Observations and recommendations from National Treasury emanating from the 2022/23 Mid-year budget and performance engagement.

NC091\_Sol Plaatje\_2022/23 Proposed Stopping Letter in terms of Section 18 of 2022 DoRA

### **13. Municipal Manager's Quality Certification**

**BS Matlala**, municipal manager of **Sol Plaatje Local Municipality (NC091)**, hereby certify that the adjustment budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under that Act, and that the adjustment budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

**Print name: BS Matlala**

**Municipal Manager of Sol Plaatje Local Municipality (NC091)**

**Signature:** \_\_\_\_\_

**Date:**     /02/ 2023